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## “GRIPES” IN CHINA’S INDUSTRY

Before the National Congress met, it was predicted in despatches from Peking that considerable modifications of policy towards the workers might be expected. This was confirmed by Liu Ning-yi's speech on Friday. It has never been easy to keep the balance between the industrial workers and the farm workers, and the respective leaders of these two main productive forces watch one another pretty closely. During the last year or two Peking has “leaned” toward the peasants. One phase of the new turn is the campaign in the Press against the so-called outstanding workers, which developed as a result of the denunciations by the labour union leaders of excesses by these model Stakhanovites.

Somebody had to take the blame for the poor quality and often inferior products of industry, and while the labour union leaders naturally do not mind taking the credit for exceeding targets, they resent getting the blame for poor quality and accidents and damage to equipment. So they passed the buck to the outstanding workers. In turn the latter blame the labour union leaders for failing to co-operate in the task committed to the outstanding workers at the National Conference of the elite of multiplying more and more outstanding workers.

Indeed it is pretty clear that relations all round in industry are in what might be called a formative state. Workers who had played the role of activists in the “Five Anti” campaign and terrorised their own employers with impunity, were taken aback to find, after the “transformation” of private enterprises into joint State-private affairs, that

their old bosses had been confirmed—at least for the time being—in their posts as managers. That was certainly a bit awkward for the bullyboys, some of whom had behaved shockingly badly. The ordinary workers detest the tough Stakhanovites, and the Labour Union and Youth League leaders are not altogether happy at the new-found influence and notoriety of these new men of influence. It is going to take some time, and a lot of trouble, to get all of them to settle down amicably together.

Moreover, the absorption of practically all capitalist enterprise has put all workers and managers on a more or less common level. The latter are no longer “tainted.” One of the major issues before the National CCP Congress, due to meet in November, will be the laying down of a positive policy in these matters. If the People's Congress tended to lean toward the peasant the Party delegates, who are mostly from the towns and cities, tend to lean towards the city workers, one of whose sore problems is also housing. Much has been done in some centres to re-house the workers, but it is a vast problem because it involves a good deal more than the provision of additional accommodation. From time immemorial, for instance, right up till today the workers living in the suburbs of the bigger cities and towns have had little better accommodation than that of the Northern peasant, whose huts are made of mud firmed up with kao-liang stalk.

They have got nowhere near the concrete stage,

which even the squatters in Hongkong have now entered. And even if, as has been suggested, they use bamboo in place of the enormous quantities of steel otherwise needed to reinforce the cement, the Chinese are already crying out that they are short of cement. A commentary on that situation is the fact that quite a lot of contractors now building blocks of flats for the bourgeoisie in Hongkong are using cement "made in China." There seems to be lack of co-ordination between industrial and commercial authorities in this as in so many other matters, which were the subject of complaint at the People's Congress.

The general atmosphere is one of greater liberality all round, which in the case of the workers is manifested by a desire to give them better pay and amenities and to make it less the result of coercion and socalled emulation than of fair return for fair work by the capitalistic incentive of piece-work.

Another problem is to cut out a good deal of red tape and the bureaucratism seemingly inescapable in the Communist system by giving the managers greater authority and closer relations with decentralised Ministries. It has been suggested that solutions can be found on the basis of the completely different approach to all political problems in daily life. The credit for this change is due largely to the Prime Minister's long report to the Party Centre on January 30, with its broad appeal to all concerned to co-operate in the construction of the new nation.

No doubt the developments in Moscow in connection with the downgrading of Stalin (if not all his works as well) had their part. But there has always been a difference of view between the trained administrator, of which Chou En-lai is beyond all doubt the first, and the Party cadres and apparatus. The practical viewpoint, which is necessarily that of the administrator rather than of the Party pedant, has won the day. There has been a great change in the political atmosphere in China in the past year or so, and all who have witnessed this transformation call it a kind of real relaxation. Fear and terror are giving way to an entirely new sense of security, and the deputies were expected to react accordingly. Actually many of the complaints they voiced and the demands they made were anticipated by the administration and some of them have already been announced.

One of the most interesting features of the new phase is the way in which the Party people, who do not number a single modern scientist among them, had to leave the Soviet scientists and their Chinese counterparts to work out together, without benefit of Party Panjandums, the comprehensive, all-important, long-term plan for the development of science and research with the final aim of raising in 12 years scientific levels in China to those at present ruling in the Soviet Union and the other advanced centres of the West. The greater part of China's "capital" in this respect was acquired in the universities and graduate schools and industries of the West, particularly in the United States and in the U.K. Only a handful of technicians and practically no scientists or technologists went to the Soviet Union to study. The Party people who went there learnt Marxism and little else.

So if only the truth were told it would be found that the scientists who were allegedly detained in the U.S. against their will all through the period of the revolutionary civil war, the setting up of the People's Government, and the Korean War, until a year or so ago, are now playing a major role in science in China. They more than anybody else in this scientific age will play the major role in the new doctrine of "let diverse schools of thought contend," though not in the way the philosophers contend, by hairsplitting. They have much bigger things to worry about,

# COMMUNISM ON THE PATH OF ECONOMIC AGGRESSION

By **Henrikas Blazas**

## The Problem as presented to the Twentieth Communist Congress

The Twentieth Congress of the Soviet Communist Party in Moscow has brought the free world face to face with a confusing situation. The usual division of the front line forces in the cold war between Communist East and Democratic West seems to have been altered. For, according to a statement by Mr. Khrushchev, the number of people accounted by the free world as under Communist domination and influence, some 900 millions is simply inaccurate. Said he: "An extensive zone of peace, including both the socialist and non-socialist peace-loving states of Europe and Asia, has appeared in the world arena. This zone extends over a vast area of the globe, inhabited by nearly 1,500,000,000 people or the majority of the population of our planet."

This could be understood to mean, in other words, that "peace-loving" communism already has under its influence and leadership the majority of mankind. Furthermore, Khrushchev assures us that "in the competition between the

two systems of capitalism and socialism, socialism will triumph. Nor does this by any means imply that the victory will be reached by armed intervention on the part of the socialist countries in the international affairs of the capitalist countries."

From Khrushchev's speech to the Communist Congress we may surmise that the so-called "peace-loving" zone of states include: 1. The Soviet Union itself (including the three conquered Baltic states). 2. The fraternal People's Republics of China, Poland, Czechoslovakia, Bulgaria, Hungary, Rumania, Albania; the (East) German Democratic Republic, the People's Democratic Republic of (North) Korea, the Democratic Republic of (North) Vietnam, the Mongolian People's Republic and Yugoslavia. 3. The friendly republic states of India, Burma, Afghanistan, Egypt, Syria and other states that stand for peace. 4. Neutral Finland, Austria, and other countries.

"But," according to Khrushchev, "in the opposite camp, certain Western circles have still not abandoned the hope of exerting pressure on the Soviet Union and wresting unilateral concessions from it." And he concluded that "there are only two ways: either peaceful coexistence or the most devastating war in history. There is no third alternative."

Mr. V. Molotov, the master of Communist foreign policy, stated: "The way to war is quite definitely condemned by the Soviet Union." However, G. Malenkov, the boss in charge of atomic power, added: "If adventurers from the imperialist camp try to violate the peace, and kindle a third world war, then let them blame themselves. There is no doubt that a third world war will lend impetus to the complete downfall of the world capitalist system."

To avoid a world cataclysm in case of a third global war, Khrushchev suggested: "As a counter to the slogan of the North Atlantic pact: 'Let us arm' we advise the slogan: 'Let us trade'... We want to be friends and to cooperate with the United States... We pursue this with good intention, without holding a stone behind our back."

But the stone behind coexistence protruded rather visibly through A. Mikoyan's statement: "We are against war, but in favor of competition between the two systems; in favor of a struggle between two ideologies under conditions of peaceful coexistence."

"Peaceful coexistence" turns out to be, in other words, competition and struggle between two different ideologies as well as two different political, economic and social systems. It is a continuation of the existing competitive war, which will be fought with every means at the Communists' disposal to triumph over the free world.

## The Factor Involved

This presentation of the entire problem before the Communist Party Congress does not quite jibe with the true picture. The two competing blocs cannot be pictured as divided by a line drawn between the two camps: on the one side the "peace loving" people under Communist domination, and on the other side the capitalists or "warmongers" influenced by the Western powers.

As a matter of fact, there exist now in the world not two, but three significant factors. First—the Communist

and therefore the classical phrase used by Chairman Mao Tse-tung to identify the new phase of liberalization (as quite distinct from liberation) has much less application to the philosophers than to the scientists, to whom it means a free hand rather than contention in the old dialectical sense so beloved of the Marxists. The main thing now is research, and the Academy is enrolling seven times more research fellows than in 1955. One has only to read the minutes of the symposium of scientists in Peking recently to realise how elated they are at the new turn of events, which has freed them from the endless fear of being denounced by some rattle-brained Marxist materialist as idealists. Successive conferences wound up with a two-day meeting in mid-June of 750 scientists which finally shroffed over the 12-year plan of research both in philosophy and in the social sciences. Their discussion was based on the 1956-67 plan drawn up by 400 scientists after four months of deliberation. In accordance with this draft plan, economics, philosophy and linguistics will be emphasised in research. Special emphasis in linguistics will be put on the standardization of spoken Chinese and the creation and improvement of written languages for the minority peoples. History, law, literature, education, and art will also receive much attention.

Research personnel in specialised scientific institutes, universities, and colleges, and other social scientists will co-operate in research. The work will cover the past as well as the future, for it will embrace the compilation and revision of China's academic work in various dynasties, the translation of important works of other countries, compilation of an encyclopaedia, the collection and classification of historical documents and data, as well as books. It will be found in the end that much more than Marxist ideas will go into the great summing up of past and future. In September 1949, proclaimed Mao Tse-tung, China "stood up." Now she has passed the teething stage and begins to walk at her own gait and with her own mind. It cannot yet be said that Han has succeeded Chin, but it can be described by the eye of vision.

bloc; second—the Western powers; and third—the underdeveloped backward countries of Asia, the Middle East, Africa and Central and South America. All these countries comprise a balance of influence in the competitive war between Communist East and Democratic West, and are in a position to play a very significant role.

The Soviet Union began its campaign in the developed countries long ago. It is well-known that with the end of the Civil War which followed the Communist Revolution in Russia (i.e. from 1921 on) the undeveloped countries which surround the Soviet Union became the first target for Communist expansion on the road to world domination. A special Institute of Eastern Languages and Communist Indoctrination has been created to train Communist leaders from among the natives of the undeveloped countries. Recent events in China, Korea, Indochina, Indonesia, the Philippines and other undeveloped countries have shown the usefulness as well as the importance of such Soviet trained leaders for the Communist aim of world domination.

Also, since 1922 a special section of the Cominform (in cooperation with the Soviet intelligence service—Cheka, the Soviet Commissariat of Foreign Trade and other Communist institutions), initiated a well organized campaign in the undeveloped countries, particularly Iran, Afghanistan and China. Into these countries had infiltrated Communist agents, experts in propaganda and subversion, with the aim of stirring up the native to express dissatisfaction with the local political, economic and social life. They were to spread among the people a bitter feeling that the Western powers and Western civilization are responsible for their misery; and that the people of the undeveloped countries could attain salvation by abandoning their ties with the West and joining the Communists, who promised progressive development in all sectors of society and prosperity for all the people.

From 1922 until the outbreak of World War II the Soviet Union presented the undeveloped countries with Communist agents propaganda rather than economic assistance or aid, because the Soviet Union itself was an economically undeveloped and backward country, which constantly sought economic assistance from the West to build its own industry. At that time, Soviet trade with the West was based on an exchange of grain, wood and certain raw materials for machinery and machine tools from the West. These machine tools were vitally necessary to speed the five year plans of industrialization, but in the process of acquiring them, there was nothing left in the Soviet Union for economic assistance or trade with the undeveloped countries.

In general, the balance of economic exchange in the world before World War II could be appraised as follows: the West had assisted the Soviet Union economically, and helped its industrialization, while the Soviet Union had assisted the undeveloped countries with propaganda and Communist indoctrination and helped build divisive forces directed against the West.

#### A Survey of Soviet Economic Growth

Before World War II the Soviet Union was the only Communist country in the world, and yet, despite enormous efforts to achieve industrialization, it remained economically undeveloped and backward in comparison with the industrial states of Western Europe or the United States.

Soviet plans for industrialization were concentrated chiefly on heavy industry and production of armaments to the neglect of consumer goods production, which has never been sufficient to satisfy the needs of the population.

However, during the Second World War, all of Soviet industry suffered catastrophically, as a result of the German invasion of the Soviet Union's major industrial areas.

To enable them to hold out for the balance of the war, the Soviets were assisted by the United States, with billions of lend-lease dollars, not to mention all kinds of food, arms, ships and industrial plants built in Siberia. Allied aid to the Soviet Union was, of course, given to achieve an Allied victory over Germany. But the Soviet Union managed at the same time, to use this aid for a well-timed and carefully planned Communist aggression against its Western allies. To achieve their ends, the Communists used any and all means: the human feelings of Western leaders; infiltration of Communist agents into the highest levels of the Allied governments; insistence on military operations unfavorable to the Allies, but very favorable to the Kremlin's plans for the postwar period; the unilateral execution of the agreements made in Teheran, Yalta, etc., just to mention a few.

As a result of this deceptive policy, the Soviet Union emerged from the Second World War not as a single Communist state, but as a nucleus state surrounded by satellites unified into a wide block of Communist states under the total domination and supervision of the Soviet Union. It must be admitted that the human and material losses of the Soviet Union during the war were tremendous, but after the victory the political and certainly the economic benefits harvested by the Soviets were even larger. Wherever the Red Army entered as a "liberator," the "liberated" country has been taken over entirely by the Soviet Union—politically as well as economically: the three Baltic states with their highly developed agriculture; the agriculturally and economically prosperous Poland; the highly industrial Czechoslovakia; the granaries of Europe—Hungary, Romania, Bulgaria, East Germany. All these countries with a population of over 100 million people with their highly skilled farmers, engineers and scientists, with their social life, standard of living, cultural development and traditions all on a high level approaching that of Western Europe—all these were taken over by the U.S.S.R.

After the conquest of these once free and independent countries, the Soviet Union introduced a regime which meant their *de facto* incorporation into the Soviet bloc politically, military and economically. In other words, a colonial regime—perhaps even worse.

Until this day, no one has succeeded in making a complete estimate of the size and extent of the economic benefits the Soviet Union has taken and continues to extract from the captured countries of East and Central Europe. How much have these countries been forced to contribute to the restoration of Soviet postwar economy, particularly industry, and to the further industrialization of the Soviets? And how much will these captured countries be forced to contribute to the Communist conquest of the remainder of the free world?

The amounts taken by the Soviet Union from the captured nations probably reached billions of dollars. To these billions should be added untold sums taken from Germany in ships, machinery, dismantled industries, raw materials and other goods. There are also vast amounts of goods taken from occupied Austria and the war reparations taken by the Soviet Union. The latter were in accord with the peace treaties with Finland, which escaped Soviet occupation, and more recently Austria with whom a peace treaty was finally signed.

But this does not end the list of gains seized by the Soviets after the war. The well-timed Russian entry into the war against Japan just a few days before the latter's capitulation, cannot be seriously acknowledged as a move taken in alliance with the United States to defeat the common enemy, but must be seen as the Soviet mockery it really is. The Soviets moved to gain a maximum of benefit with the minimum of sacrifice, by taking highly industrialized

Manchuria and North Korea with the large Japanese arsenal stored in these areas. Victory over Japan in 1945 was bought with the blood and lives of many Americans, but the benefit derived from this victory has been appropriated by the Soviet Union, and after five years, turned against the same Americans in Korea and against France in Indochina. We need not mention Indonesia, the Philippines and Africa. To put in bluntly: the Soviet Union has used every gain extracted by her from the West's victory in World War II to continually expand her aggression against the West and widen Communist influence throughout the world.

It must be acknowledged that Communist military aggression has been stopped by the West, but not defeated. In every case, the Communists went as far as they could without forcing the perilous outbreak of a global war. Not only "because open Communist aggression has been checked by the cohesion, resolution, vigilance and strength of the free nations," as Mr. Dulles stated before the Senate Foreign Relations Committee on February 24, 1956, but because the Communists were not certain of victory in a global war between East and West. But the Twentieth Communist Party Congress in Moscow has shown that the Communists did not abandon their goal to conquer the world, but have merely switched the offensive from military aggression to economic conquest. This was the new state of affairs so succinctly described by Mr. Khrushchev to the Communist Party Congress when he said: "As a counter to the slogan of the North Atlantic pact: 'Let us arm' we advise the slogan: 'Let us trade'."

#### The Further Growth of the Soviet Bloc's Economy

The new Soviet Five Year Plan calls for a 60 percent rise in industrial output by 1960, a goal which American experts do not doubt the Russians are quite capable of reaching. It is generally agreed, too, that the Soviet Union has reached place in the ranks of the world's great economic powers.

But the usual picture of Russia's economic potential including the one drawn by Soviet leaders, is deceptive. The latter speak of the Soviet economy and the economy of the "fraternal" states in their bloc as though they were two distinctly separate entities. Khrushchev's remarks to the Twentieth Communist Congress are a good example:

"In accordance with her treaty obligations, the Soviet Union is today helping the peoples democracies to build 391 enterprises and more than ninety separate shops and installations. We have granted the peoples democracies long-term guarantees totalling 21,000,000,000 rubles under most favorable conditions."

The implication of this statement is entirely false. For, in the Communist bloc there exists no such thing as two separate economic units, the one consisting of the Soviet Union itself, and the other made up of the so-called "peoples democracies" meaning those states of East-Central Europe dominated by Soviet colonialism. Russian investments in the captured countries are no more than investments in the industrialization of their colonies, the benefits from which will be reaped by the Soviets and to further their political policies of assuring the universal triumph of communism by any means. Actually, these investments, mentioned by Khrushchev were not paid from the Kremlin treasury, but were expropriated by the Soviet Union from the captured nations and reinvested in the industrialization of these countries to increase the economic potential of the entire Communist bloc and particularly of the master of this bloc—the Soviet Union. The best example of how industry in the captive countries is subservient to the Kremlin's rule is Czechoslovakia's sale of arms to Egypt. Czechoslovakia never had, and could not have any aggressive designs on the Middle East, but it is the Kremlin, the real master of the

Soviet economy as well as that of the Soviet colonies, which orders when to sell, what to sell, and to whom to sell.

The Soviet Union is doing everything in its power to increase the industrial potential of the captive countries, particularly Czechoslovakia and Poland. In the process, the needs of agriculture are sacrificed, frequently with planned intention. With fulfilment of the Five Year Plan, industrial production in the satellite countries when added to Soviet production will create an enormous power which, in the competitive economic war between East and West, will be of decisive importance. Thus, the liberation of the enslaved East-Central European countries is no longer a purely political matter. It would result in a weakening of the Soviet Union's economic potential, and lessen the possibilities of conquering the world without a shooting war.

The Soviet's new economic aggression is well timed and prepared. Soviet industrialization and production achievements have always been accompanied by the indoctrination of great numbers of salesmen to "push" Communist doctrine. The Encyclopaedia Britannica in 1956 published a "Book of the Year," which included in section called The Voice of the Kremlin, written by Mr. William Benton, the former United States Senator.

According to statistics presented by Mr. Benton, the Communists in their dash to win the world race for the mind of man employed 375,000 full time and 2,100,000 part time propagandists in 1953; a host equal to the entire American Army in size. Another ten million intellectual and professional workers (i.e., four times the number of college students in the United States) were expected to turn out propaganda for the Communist cause. Russia has, by the way, 4,300,000 students in colleges and universities, nearly double America's 2,533,000.

According to reports heard by Twentieth Communist Congress, some 1,650,000 students will graduate from Soviet technical schools this year. Soviet colleges will give degrees to 50,000 engineers in June. "We shall see who has the most engineers, Russia or the United States," boasted Mr. Khrushchev.

It should be taken into consideration that the Russians train all their students not only to be loyal, unquestioning believers in the government and in communism, but at the same time to form shock troops for the Communist crusade.

And so the Soviet Union is well prepared to launch a combined economic and ideological attack against the free world. In the first stage of this new aggression, the underdeveloped countries are the chief target.

#### Soviet Economic Offensive in Operation

The challenge of the new Soviet policy was not an unexpected one. Before the Second World War it was possible to observe Soviet methods of infiltration into foreign countries, particularly underdeveloped areas, for purposes of propaganda and diversion. After the war, with the consolidation of the Communist bloc, and particularly after the stabilization of Soviet economy, there were increasingly numerous evidences of Soviet infiltration into various countries through economic means.

The Foreign Operations Administration, under the leadership of Mr. Harold Stassen, published a report in 1955, called Soviet Bloc Economic Activities in the Free World. The report stated:

"Communist investments in foreign publishing firms, theatres, and other arms of Soviet propaganda and party activities abroad were fairly common even before World War II . . . But foreign investment as an enterprise of the Soviet state has come into its greatest use only in recent years.

"The pattern of Soviet investments is discernible and significant. The areas often chosen for investment are transportation, power development, storage facilities, and other strategic points of the economy.

"There can be little doubt that Soviet communism, as a general rule, consider investment abroad as a means of economic and political penetration as well as a means acquiring—at low cost—materials and revenues from abroad and disrupting free world ties in certain areas.

"In recent years the Soviet Union has been saying that it was prepared to offer technicians, equipment, and credits to underdeveloped countries. European satellites have echoed these sentiments."

In 1954, the Soviets granted to the Afghanistan government a 14 million dollar loan, to be used for construction of oil storage depots, grain silos, a pipe line from the Soviet Union to northern Afghanistan and the paving of streets in Kabul (capital of Afghanistan). Soviet technicians and equipment have been sent to Afghanistan. These Soviet-backed projects have great propaganda value, are plainly visible to all, and carry a direct and immediate appeal. The Afghans can easily see that the Soviet projects have radically changed the appearance of their capital. At the conclusion of the visit of Bulganin and Khrushchev to Afghanistan in 1955, the Russians offered a one hundred million dollar credit grant to Afghanistan, for the development of agriculture, hydroelectric power, irrigation and other basic projects. But more significant are the recent Afghan-Soviet trade pacts, through which the Soviet Union has gained almost complete control of Afghan foreign trade. To many Western diplomats in Kabul this move is the establishment of an economic stranglehold on the Afghan Government, as a first step towards the creation of a new Russian satellite.

On February 2, 1955, India and the Soviet Union signed an agreement under which the Soviet Union was granted a contract for construction of a steel mill in central India with a capacity of one million tons a year. The construction is to be completed by the end of 1959, with Soviet Union investing around 95 million dollars in the project, besides providing machinery and technical assistance. The Soviet technicians provided will, naturally, be skilled in Communist propaganda and indoctrination among other things. By the end of 1955, Bulganin and Khrushchev who had then visited several Asian countries, were promising even greater economic assistance to India as well as to other Asian countries.

Offers of Soviet technical assistance and capital aid have been made to Burma, Indonesia, Ceylon, Pakistan, Iran, Lebanon, Syria, Sudan, Brazil, Argentina and others.

Particular attention should be given to the Egyptian case, which is changing the political and military situation in the Middle East. An offer of Soviet technical assistance and financial aid in building the Aswan Dam was freely discussed in the Egyptian press after 1954. As late as June 30, 1955 the Foreign Operations Administration in its report "Soviet Bloc Economic Activities in the Free World" recommended: "Meantime the whole free world—developed and under-developed—may wish to keep a skeptical eye on the 'investments' and other activities of Moscow's economic arm."

But after the Soviets have assisted Egypt with arms, and after the Twentieth Communist Congress in Moscow has openly declared that Communist economic assistance is intended primarily to strengthen Communist domination all over the world, nearly keeping a skeptical eye on Soviet investments is rather useless. The new Soviet moves must be met by the free world with new tactics.

### The Reaction of the West

Mr. Dulles, the American Secretary of State, stated in his address to the Philadelphia Bulletin Forum on February 26, 1956 that "the political leaders of underdeveloped countries in the free world are not blind to Soviet purposes and past actions. But they will find it hard to resist pressures aroused by extravagant Soviet claims of industrialization unless there is some alternative . . . There is no need to be panicked by the new Soviet economic strategy to subvert and communize the nations that are its targets . . . The United States Government should have authority to commit 100 million dollars a year for several years for long-range projects to develop the economic well-being of the free world."

The London Observer in February 1956 stated that "economic relations with the underdeveloped and politically uncommitted nations of Asia and the Middle East may be a decisive factor in the 'competitive co-existence' phase which the cold war has entered . . . The West should not lose the long start they have had in the Asian economic race. But apart from the release of sterling balances, British aid has been in most places limited by financial difficulties to mere technical assistance . . . The lion's share of the trade is still with the West, headed by the United States and Britain."

The French reaction has been different. Mr. Mollet and Mr. Pineau have said that both Western economic aid and the propaganda battle with Moscow are important in their eyes, but far less urgent than greater Western solidarity in North Africa and the Middle East. At the beginning of March 1956, the French Foreign Minister Pineau expressed his "profound disagreement" with some Western policies and complained that there were no common United States-British-French policies. This subject was discussed on March 11, 1956 in London where French Premier Guy Mollet and British Prime Minister Sir Anthony Eden have met for a conference.

The Eisenhower Administration's efforts to get acceptance for the 4,900,000,000 dollars requested for the foreign aid program, including 100 million dollars to counter the new Communist campaign, have not resulted in easy success.

It is evident that the West is not yet prepared to meet the Soviet's new economic aggression with common action.

### Conclusion

Nevertheless, the new Soviet economic attack cannot be met by the West with separate and divided means. The Kremlin is a potential threat both militarily and economically. The Communist bloc comprises a contiguous area occupying almost one-third of the world's habitable area. The military aggressions of this bloc (in Korea, Indochina and elsewhere) were engineered and timed by a single military staff centred in the Kremlin. The new economic aggression no doubt was drafted and timed by the same institutions and under the same leadership.

In short, a new appraisal of the entire situation is required. The economy of the Communist bloc should be considered as representing one single state capitalist who has begun his campaign for infiltration and domination of many capitalists in many countries.

The situation requires from the West fresh solution and renewed efforts, as well as a new Allied Staff for economic war.

## PROBLEMS OF POPULATION GROWTH IN THE FAR EAST

Population growth during the last three centuries has been less rapid in the Far East than in Europe, the Americas, and the world as a whole. In recent years however great reductions of mortality have been achieved in many Far Eastern countries and further reductions are expected. With the exception of Japan, no nation in this region has yet shown any indication of a major decrease in birth rates which would balance the drop in death rates. In consequence, it is probable that most countries may have a more rapid rate of population growth during the next ten or twenty years than they have had in recent decades. The changes accompanying industrialization, education, and other features of a development programme should lead to slower population growth. Some countries are adopting specific population policies as one part of their broad programme to bring about a better relation between population and economic growth or to improve the level of living and welfare of individual families.

Although rapid declines in mortality rates have recently occurred, current rates are still substantially higher than in the West. Further large declines in mortality and morbidity can be expected, particularly if public health programmes are planned and developed on a wide scale.

The increase of population, particularly in the agricultural areas, tends to aggravate the existing problems of under-employment and low productivity of labour due to shortage of land and other resources and the lack of opportunities for employment in industry, trade, etc. The more rapidly the population grows, the greater the number of workers in over-crowded agricultural areas for whom new opportunities must be found.

In most countries of the Far East, a vigorous program for the improvement and modernization of agriculture is essential in order to assure the production of an adequate supply of food for their growing populations, and of the agricultural products needed for the developing industries and the foreign market.

Industrialization is desired by the under-developed countries of the Far East for many reasons, including the need to achieve a better balanced economy, to augment national production, to raise levels of living. Those countries with a high rate of population increase and heavy pressure of people on agricultural resources have special need for industrialization to relieve rural under-employment and permit a fuller utilization of manpower. While the presence of unexploited natural resources and of surplus manpower in some countries may facilitate industrialization, there are a number of limiting factors to contend with, such as a restricted market due to low purchasing power, and deficiencies in capital, in workers' education and skill, and in trained management. The process of industrialization will help to mitigate these unfavourable conditions by improving the economic organization and facilitating a division of labour and more efficient scales of production. The manpower situation in some countries may make it desirable for the industrialization program to include the promotion of small plants and cottage industries in rural areas, for they will require less capital per worker than most large-scale industries and can use local labour during slack periods for agriculture without diminishing food production.

Capital formation and investment is necessary for a moderate rise in income levels. Rapid population growth (which is usually accompanied by a high ratio of children to adults of working age) increases the difficulty of accumulating adequate capital through domestic savings because (i) it increases the total amount of capital needed, and (ii)

it may tend to depress the rate of saving by increasing the demand for consumer goods. It will usually be necessary to give special attention to other ways of accelerating domestic capital formation, such as improving financial institutions and using under-employed agricultural labour in the direct production of capital goods. Even though domestic sources of capital formation are fully utilized, it may still be advantageous for some countries to import foreign capital.

There is a widespread desire to increase consumption of goods and services and to improve the quality of housing. The growth of population is adding to the volume of production that is required if the people are to be housed, fed, clothed, and provided with other goods and services even at the present unsatisfactory levels of consumption. Rapid population growth, although it increases the numbers of producers as well as consumers, magnifies the task of raising levels of living. Moreover, the large rural-urban migration which is occurring in many areas creates special housing problems for cities.

Most countries of the Far East have a high percentage of children in their population, and can expect a rapid increase in the number of children of school age during the next decade or two. These conditions aggravate the difficulties which the countries face in attaining a satisfactory standard of education for all children.

The family and the local community still play the dominant roles in fostering the welfare of individuals but the expected developments in the economy of these countries will bring greater need for comprehensive social insurance and social assistance schemes. Community development programmes are playing an important part in reducing sickness and prolonging life, in increasing output, and in raising levels of living. They are also being used in some cases as means of conveying information about child-spacing to married couples who desire it.

An important aspect of the problem of economic development in the Far East is the need to achieve a better distribution of population within each country. It may be desirable to check excessive migration from rural areas to cities; in some cases there may be a need to stimulate such movements. The encouragement of migration from densely populated areas is an important aspect of economic development plans in certain countries which possess large, sparsely settled territories with rich, undeveloped natural resources. Provided that such a program is on a large enough scale it may alleviate over-crowding in the areas of out-migration and bring unused resources into production, thus enriching the national economy.

Nearly every country has a public health program which is reducing death rates and pregnancy wastage, and is tending to increase population growth. Some of the countries also have programmes in other fields which may affect population growth although they were not designed to do so. For example, social welfare provisions, such as maternity allowances, leaves with pay for employed women in connexion with childbirth, and wage differentials based on the number of children in the family, may encourage larger families. On the other hand, industrialization and higher educational standards, with their social and cultural consequences, may indirectly bring about some reduction in the birth rate. In addition, certain countries have adopted programmes that tend to slow down population growth. Since there are no opportunities for emigration to other countries on the vast scale which would be necessary to have a great effect on the increase in numbers, these programmes relate mainly to the encouragement of smaller families.

## CHINA'S FIRST FIVE-YEAR PLAN

Reporting on achievements to date under the first five-year plan at National People's Congress held in Peking last week, Vice-Premier Li Fu-chun, claimed that the tasks set in the Plan would be overfulfilled ahead of schedule. However, there were shortcomings and mistakes during past years and he frankly admitted that these were due to incomplete, inaccurate and short-sighted planning. There were bad crops due to floods, people were not properly housed, wage scales were low and the cost of living high. Excerpts of the report are printed below:

**Industrial Construction:** In capital construction, the core of the plan is capital construction centred on the development of heavy industry. In the first three years, 54.6% of the work for the five years was already done. This, plus the investment during 1956, will bring the total amount to 87.6% of the five-year plan. As regards industrial construction, the plan provides for work to be done on 694 above norm construction units in mines and factories in five years. Of this figure, 455 units were to have been completed. It is now estimated that the total number will be increased to 800, of which 500 are to be completed. The Soviet Union would help us to design and supply equipment for constructing 205 factory and mine units. Originally it was planned to complete 45 units within five years; now we expect to complete 65.

**Communications:** The new trunk and branch railway lines to be built were originally planned at 4,084 kilometres. Between 1953 and 1955, 2,640 kilometres was already built. In 1956, it is planned to complete 1,985 kilometres, making a total of 4,625 kilometres for four years. It was originally planned to build 10,000 kilometres of highways. Between 1953 and 1955, 9,053 kilometres was already built, and another 4,611 kilometres is being built in 1956. Judging by the results of the past three years and the 1956 plan, inland and coastal shipping, civil aviation, long-distance tele-communications, telephone service in the cities, etc. will all be able to complete their planned targets in time or ahead of schedule.

**Agriculture, Forestry, and Water Conservancy:** The plan provided for a total investment of 3,260 million yuan by the state in five years. In the first three years 2,000 million yuan were already invested, which is 61.5% of the original estimate. In 1956 it is planned to invest 1,298 million yuan. In the first three years, the state reclaimed 30 million mou of waste land. The number of mechanized state farms increased from 50 in 1952 to 106, and tractor stations from nothing in 1952 to 188. The number of tractors owned by the state mechanized farms and tractor stations increased from 1,532 in 1952 to 5,216 (in terms of 15 horse power each). In 1956 it is planned to reclaim an additional 20 million mou of waste land, to increase the number of state mechanized farms to 152, tractor stations to 275, and tractors owned by the state mechanized farms and tractor stations to 11,192. Thus, in four years, the total area reclaimed will exceed the target for the five years. In step with the expansion of agricultural production and progress of agricultural cooperation, the above norm construction projects in water conservancy will be increased from the planned figure of 61-135. The area to be newly-irrigated was originally planned to be 72 million mou in five years. In the first three years, 41 million mou of irrigated area was already added. Further increases will be made in 1956. Thus, in water conservancy, too, the original plan will be far exceeded.

**Industrial Output:** The plan stipulates that the total output of industry in 1957 is to reach 53,560 million yuan.

The actual output in 1955 was 44,750 million yuan. The output planned for 1956 will reach 53,580 million yuan. According to the original plan the average annual rate of increase was to be 14.7%. It is calculated that the average rate of increase in the first four years of the plan can be raised to 18.7%. On the whole, both in total value of industrial output and the volume of output of the main industrial products, most of the targets listed under the plan will be fulfilled ahead of schedule this year.

**Socialist Transformation:** By March this year 88% of the number of handcraftsmen to be transformed had joined cooperatives. If we take the value of output of private industry and the volume of capital of private commerce in 1955 both as 100% then after the high tide of transformation into joint state-private enterprises by whole trades in the first quarter of this year, about 92% of private industry and 75% of private commerce completed the change into joint state-private enterprises.

**Shortcomings and Mistakes:** Although we have made tremendous achievements there at the same time have been some shortcomings and mistakes. Generally speaking, although the progress of construction has not been delayed, there in the course of carrying out the plan have been signs of disequilibrium: slackness in the earlier stages and rushing in the later. (2) In many enterprises, such deviations as paying attention to production and ignoring its cost, paying attention to quantity and ignoring quality, and paying attention to economy and ignoring the living conditions and welfare of the workers and staff members etc. have occurred constantly. (3) In the field of capital construction, enough attention has not been paid to co-ordination of the different phases of work; such as prospecting, designing, supplying equipment and materials and organizing the actual construction. At certain construction sites, there is frequent disruption of work for want of blueprints or materials—all which lead to a waste of money and in the case of certain engineering projects, even to the failure to complete the job on schedule. (4) In the development of agricultural production, there had been certain deviations in making haste and going ahead adventurously. In transforming and reorganizing private industry, commerce and handicrafts there had been improper changing of original formulae or the former working method, lowering quality, decreasing the variety and patterns of products, and changing of original relations between production and distribution and relations in cooperation. (5) In the campaign to increase production and practice economy, there was one-sidedness: ignoring quality, giving less attention to the living conditions and welfare of the workers and office employees, paying insufficient attention to safety in production. In 1955 in particular, these tendencies hindered the further rise of initiative in production. The reasons for these shortcomings and mistakes cannot be separated from such defects as incomplete, not thorough-going, inaccurate and not farsighted planning. The various aspects of the national economy are an organically inter-connected whole. But we did not study enough the law of the planned and balanced development of the national economy; we lacked an all-round understanding of the economic situation; we lacked foresight; in fixing targets, we did not do well enough in coordinating the various aspects, branches and links of the national economy; nor did we pay enough attention to unified arrangement of the various economic sectors, some of which were not even included in the state plan; nor did we establish proper links among the various branches of the

national economy and various regions. We must work hard to rectify these shortcomings in the future by studying harder and intensifying our investigation and research work.

**The Relation between Industries and Agriculture:** The prior development of heavy industry is the central link in achieving socialist industrialization. In the past few years, the rate of growth of China's heavy industry has been fairly rapid. Take the 1956 plan for instance, steel output this year will reach 4,516,000 tons, a 235% increase over that of 1952, or 9.6% higher than the target set for 1957; the output of metal-cutting lathes this year will reach 27,363, a 99% increase over that of 1952. (Even at this high speed, China this year will still have to import 750,000 tons of steel products, over 10,000 metal-cutting lathes and much other important equipment, machinery and materials to meet the demands of various fields). Simultaneous with the development of the heavy industry, it is necessary to develop light industry on the basis of doing everything to develop agriculture. In the past three years, China's total industrial output, in terms of value, had increased by 65.6%. Of this, the production of capital goods increased 91.8% and consumer goods 48.4%. Can consumer goods be increased faster? As far as the potentialities of light industry are concerned, the production tempo of certain things should be faster; but there is the question of the supply of raw materials. Since our chemical industry, the organic chemical industry in particular, is still not well developed, about 90% or more of the raw materials for light industry depends on agriculture; a rich or a poor harvest will directly affect the tempo of the growth of light industry or even industry as a whole. In the past few years, the tempo of agricultural growth had been comparatively slow. Apart from bad crop due to natural calamities, the main reason for this lies in the fact that there was shilly-shallying in the movement for collective farming and that the way to increase agricultural production was not so clear. However, from now on, growth of light industry can be accelerated on the basis of the steady and still accelerating development of agricultural production. With the speeded-up tempo of the growth of agriculture and light industry, it is possible and necessary to hasten the tempo of the growth of heavy industry. In 1956 for instance the bumper harvest in 1955 enabled us to make the following provisions in the 1956 plan: the growth of industry as a whole will be 19.7%, production of capital goods by 23% and consumer goods by 17%. It was originally provided in the Five-Year Plan that the amounts invested in heavy and light industry were in the ratio of 88.8% to 11.2%, that is about 8-1. Altogether 65 above-norm light industrial construction units were to be put up in five years. It is planned to change the proportion of investment between the heavy and light industry to 87.5% to 12.5%, that is about 7-1. Within these five years, the number of above-norm light industrial construction units to be constructed will increase from 65-99.

**The Relation between Coastal and Inland Areas.** According to the statistics for 1952, total industrial output, in terms of value, of the seven provinces and three municipalities along the coast accounted for about 73% of the total output value of the nation's industry. In order to change this irrational geographical distribution and to set up an integrated industrial system, it is necessary to concentrate our main strength in building up new industrial bases in China's inland. The rate of development of the industries in the coastal region was therefore comparatively slow, mainly in 1954 and 1955. In the future with the further relaxation of the international situation, the continued development of agriculture and the strengthening of planning in the building of state-owned industry, industries in the coastal cities can be fully utilized. On the

question of capital construction, both in heavy and light industries, quite a number of enterprises in the coastal areas can undertake renovation and expansion in connection with the socialist transformation going on in these areas and the reorganisation of their production. This will not hamper the construction of new industrial bases centred on heavy industry. It will serve to sustain and coordinate the construction of new industrial bases as well as supplement the insufficiency of new industrial construction in the inland.

**Accumulation of Funds:** At present we are engaged in large-scale socialist construction and need a large amount of funds. The source for this fund mainly comes from accumulation within the national economy. But while we solve the question of accumulation we must also give attention to gradually improving the living conditions of the people on the basis of developing production. According to preliminary estimates of the various targets of the plan 22% of the national income will be set aside as accumulated funds and 78% for consumption. In the past few years, the government has done a great deal of work to improve the living conditions of the people. However there were shortcomings particularly last year. Insufficient attention was given to the improvement of the workers and staff's life both in our planning and administrative work. In some cases, where money should have been spent and things done they were not; in some other cases money was spent, but things were not properly done and the money not correctly used. Some things could have been done without spending money, but they were not done or done badly. Concrete examples of these cases are: (1) The increase in wages was not commensurate with the increase in labour productivity. In the first three years, labour productivity in the industrial departments increased by 41.8%, while the increase in the employees' average money wage was only 14.7% and the real wage increased by only 6.9%. Particularly in 1955, the average money wage in the industrial establishments throughout the country was raised by 0.6% compared with 1954 and real wage only 0.2%. Some enterprises did not even carry out their wage plans fully and nothing was done to make it up in the following year. (2) In the past few years, the number of employees and their families has greatly increased, but housing for them has not increased in proportion and in good time. This housing problem must be settled, but it cannot be settled all at once. The most urgent and needy cases should be attended to first. (3) Not enough attention is paid to safety measures which, in some enterprises are far from perfect. Serious accidents still happen. (4) Medical and health provisions do not meet actual needs. The number of doctors is insufficient (in a building company in Sian for 3,000 workers there is only one doctor), expenses for medical treatment are high, restrictions on the use of expensive medicines are too severe, and so on. (5) The work of supplying employees with daily necessities is not well done. Particularly in certain mining areas, new factory districts, and districts where geological prospecting is carried on, vegetables and other food are expensive, scarce, not of good quality, and not supplied in good time. (6) In serving employees, capitalist ideas of making a profit exist in some places. Dining halls in some enterprises, after being put on a business basis, raised prices thus placing a heavier burden on the employees, while in some places water and electricity rates are fixed too high, though they yield higher profits for the enterprises concerned.

It may be seen that our people have already made great achievements in the first five-year plan for the development of the national economy and have secured a sound foundation for the overfulfilment of this plan and ahead of schedule. The task before us is to overcome the shortcomings and mistakes in our work.

## CHINA'S 1956 STATE BUDGET

Revenue in China's 1956 budget is 15.83% greater than last year's and expenditure 22.77% more. Expenditure for economic and cultural work has greatly increased, while that for national defence has been cut. There is a great increase in funds for agriculture. In addition to a continued emphasis on the development of heavy industry, there is a great increase in the allocations for light industry. Funds for the development of national minority areas increased more than for other areas.

**1955 Accounts:** In his report on 1955 final accounts and 1956 state budget at the National People's Congress meeting last week, Vice-Premier and Minister of Finance Li Hsien-nien stated: China's total revenue in 1955 was 30,357,976,000 yuan. Actual 1955 receipts totalled 27,203,319,000 yuan, the remainder being surplus carried over from the previous year. State expenditure in 1955 was 29,346,938,000 yuan. The 1955 surplus of 1,011,038,000 yuan was carried forward into the 1956 state budget. Actual 1955 income, representing a 3.68% increase over the previous year, was 96.98% of the amount budgeted. This was mainly because of insufficient estimation of agricultural loss resulting from the 1954 floods and its effect on rural purchasing power, industry and commerce when the budget was drafted. Taxes on industry and commerce and the planned income from state commerce as outlined in the 1955 budget were somewhat too high to be reached.

The actual 1955 state expenditure, which was 6.32% above the previous year, was 1.59% less than the budgeted amount as a result mainly of economies effected by departments and local authorities. Economies in capital construction in 1955 alone enabled the state to add some 60 extra major (above norm) projects to the planned number. On the other hand there had been some inappropriate cuts in some investments, which had affected the quality of projects. Actual investments in economic construction accounted for 46.89% of the total 1955 state expenditure. 10.87% of the total state expenditure went to cultural and educational services and 7.34% for administrative work. Actual expenditure on national defence accounted for 22.15% of the total state expenditure. As a result of capital construction in 1955, fixed assets increased 16% compared with 1954. Eight-two out of the 485 major (above norm) projects had been finished in 1955.

**1956 Budget:** The 1956 state budget provides for a total revenue of 30,742,770,000 yuan during the year, of which 29,731,000 yuan represents the current year's revenue while 1,011,038,000 yuan is the balance carried over from the previous year; the total expenditure is 30,742,770,000 yuan; revenue and expenditure are balanced. As compared with the final account of revenue and expenditure for 1955 revenue for the current year is 9.29% higher and expenditure 4.76% higher. The 1956 expenditure aimed at the priority development of heavy industry while actively developing light industry, agriculture, communications and transport, culture and education in an appropriate proportion. 64.96% of the 1956 state expenditure will go to economic construction and cultural and educational services. The expenditure on economic construction alone accounts for 52.22% of the total state expenditure, representing a 33.45% increase against last year. Defence expenditure will be 19.98% of the total state expenditure, a reduction of 2.17% proportionally or 5.52% actually, the expenditure in this field last year. Other state expenditures are: 7.84% for administrative uses, public security and judicial and procuratorial affairs; 2.47% for payment of

state bonds and foreign loans; 2.18% for assisting other countries and other uses; 2.57% for general reservation. Over half of the expenditure on construction will go to industry. In addition to increased funds for heavy industry which accounts for 88.59% of the total industrial expenditure, funds for light industry will go up by 86.14% as compared with last year. The funds for agriculture, afforestation and water conservancy will go up by 48.3% compared with 1955. Agricultural loans this year will reach 2,200,000,000 yuan, more than double last year.

Of the 1956 state budget 48.19% will come from state enterprises, 26.48% more than last year's actual receipts from this field in terms of money; 47.02% will be derived from taxes; 2.5% will come from state bonds and foreign loans; and 2.29% from other sources. 77.06% of the total state income and 74.95% of the total state expenditure would be under direct control of the Central Government, and the rest under the local authorities. Funds for national minority areas this year will be 32.56% over last year.

**General Situation in 1956:** The proportion of modern industrial products in the total values of industrial and agricultural output will be increased to 36.5%, the proportion of agricultural production and the products of rural side-occupations reduced to 48.2% and of handicrafts reduced to 15.3%. The proportion of capital goods in the total values of industrial output will reach 47.2%. This increase is not big because of the big advance of light industry this year. In industry, the proportion of output by state enterprises in the total values of industrial products will go up to 63.8%; that of cooperatives to 4.7% and of joint state-private enterprises to 31.1%, while the proportion of private industry will drop to 0.4%. The value of the products by individual handcraftsmen will fall to 27.5% of the total handicrafts product. The total retail commodity sales in 1956 will amount to 46,000,000,000 yuan, exceeding last year by 15% and close to the planned 1957 level. The proportion handled by state and cooperative commercial enterprises will rise to 60.5% of the country's entire retail commodity sales; that of joint state-private commercial enterprises and cooperative stores go up to 25.5%; and that of private commercial enterprises fall to 8.9%.

**Industrial Production and Construction:** The level of industrial production set as the target for 1957 will actually be reached this year, in terms of output value. Increases in the production of major industrial items this year in percentages of 1955 output will be: electric power: 15%; coal: 17%; crude petroleum: 24%; pig iron: 25%; steel: 58%; steel products: 46%; caustic soda: 13%; ammonium sulphate: 40%; cement: 40%; cotton yarn: 29%; cotton cloth: 29%; vegetable oils: 40%; machine-made paper: 20%. There will be an increase of 16.2% in the total output of handicrafts this year compared with last.

Capital construction will develop more quickly, with an investment 62% greater than last year's actual expenditure in this field. A total of 964 major (above norm) projects will be launched or continued this year while 117 big projects finished this year. These include the Anshan No. 9 Blast Furnace, the first automobile plant at Changchun, and the hydro-electric power station at the Kwantung Reservoir on the Yungting River. Sites where work will be started or continued this year include those of the large-scale Paotow Iron and Steel Complex, the Wuhan Iron and Steel Complex, the Sinkiang Oil Company, Lanchow Oil Refinery and Loyang First Tractor Plan. Railway track-laying will be finished on 1,985 kilometres, an increase of

62% on last year. Work will be carried out on 25 rail-lines including Paotow-Lanchow Railway and Neikiang-Kunming Railway. The entire Paoki-Chengtu Railway—originally scheduled for 1957—will open to traffic this year. The Yingtang-Amoy Railway will also be completed this year, ahead of schedule. On the Lanchow-Sinkiang Railway, 240 kilometres of track will be completed above the original plan for 1957. The new Sinkiang-Tibet Highway will start this year. Chinghai-Tibet Highway which was finished and opened to traffic year before last will be improved.

**Agricultural Production:** China's 1956 food crop output will reach 199,450,000 tons, exceeding the planned targets for 1957 by 6,650,000 tons. Cotton output for 1956 will reach 1,778,000 tons, exceeding the five-year plan target by 143,000 tons and the 1955 level by 17.1%. The output of tobacco, sugar-cane, beet, jute, silk cocoons, and the domestic livestock herds will be increased. Land reclamation and afforestation will be carried out on a larger scale than last year. The number of state mechanised farms will be increased to 152 with a total of half a million hectares of land. Tractor stations numbering 275 will serve 1,100,000 hectares by the year's end. In water conservancy 24 big projects will be started. Work will be continued on another 18 big projects. Construction of the huge water control project at the Sanmen Gorge on the Yellow River will be started and the draft overall plan to control the entire Yangtze River will be started.

**Living Conditions:** An average 14.5% wage increase has been stipulated this year for the workers and employees throughout the country. Workers in the various production departments and at major construction sites, as well as highly qualified scientific and technical personnel and workers with high technical level, would have wage increases higher than the average. In 1956, 13,100,000 square metres of housing will be provided for workers and employees by the various ministries and their subordinate organisations.

China's peasantry this year will have a greater average surplus than in any past year. Owing to the expected agricultural growth in 1956, taxes derived from the peasantry will not exceed 12% of their total output, while in 1952 the proportion was 13.2%. Steps to improve the livelihood of the peasants include: assistance to increase their production and maintenance of a proper ratio between the prices of industrial and agricultural products.

**Culture and Education:** A total of 64,000 students will

be graduated from the colleges and universities throughout the country this year and the total number of college and university students will reach 380,000, or 32% more than last year. The 1956 expenditure for educational and cultural services will exceed that of last year by 26.39%. State expenditure for science this year will more than double that for 1955. The Chinese Academy of Sciences will have 60 scientific research institutes this year as against 44 last year. The number of hospital beds will reach 339,000 in 1956, increasing by 22% over last year. Theatre and concert tickets and a number of other amusement tickets will be tax free in the coming two years.

**Achievements and Defects:** The total industrial output of the various industrial ministries in the first five months of 1956 has exceeded the original plan by 2.6% in terms of value, or 33.3% above the corresponding period last year. An excellent wheat harvest is expected this summer. 27% of the entire national capital construction for 1956 has already been completed. The freight carried by the railways exceeded the original plan by 5% and that by inland waterways and coastal ships by 4%. Business transactions have also grown, but some commercial enterprises have not completed the state plans. The rape-seed harvest will be greater than last year but will not reach the original target. The plans for spring sowing of rice, cotton, soya beans, tobacco and beet will be overfulfilled, but the plans for potatoes, jute, sugar-cane, groundnut and silk cocoons are inadequately carried out. Nevertheless the quantitative increase in all these will be very great compared with last year.

The targets for several important industrial items have not been fulfilled, including steel, 96.4%; steel products, 95%; coal, 99.8% and crude petroleum, 99.6%. Capital construction is still lagging behind the state plan. There is a tendency in a number of enterprises to pursue greater quantity and faster production at the expense of quality and economy.

Li Hsien-nien also pointed out that the inadequate supply of steel products, cement and mechanical equipment was mainly responsible for the failure of some of the capital construction units to fulfil the first five months' quotas. He asked the various departments and local authorities to make appropriate readjustments in some of their capital construction plans wherever needed and to make appropriate cuts in plans too big to complete.

## CHINA'S TSAIDAM BASIN

The Tsaidam Basin is situated in the northwestern part of Tsinghai Province. It has an area of 220,000 square kilometers, about twice the size of Chekiang Province. Its altitude is on the average 2,800 meters above sea level. To its south are the Kunlun Mountains while on the east, west and north it is fenced in by Kilan Shan and Ah-I-Chin Shan. It is thus enclosed on all four sides by mountains. Its mountainous areas rise from several hundred to three thousand meters above the ground. In the past, due to the lack of communication facilities and the difficulty of bringing in supplies very few people ever went into the basin area to investigate conditions there. It was not until the 19th Century that a small number of Chinese and foreign geographers took an interest in the area and proceeded to make a survey. Their efforts were restricted to the eastern part of the basin.

Following the Communist take-over a number of survey teams, largely people engaged in geological research, proceeded to the area. They penetrated into the basin and succeeded in making known the facts about this mysterious land. Rich mineral deposits have been located in the area and valuable experiences have been gained which have helped

to foster the growth of agriculture and cattle raising in the region. The distribution of rainfall during the year is very uneven. It is concentrated mostly in the summer season. In the eastern section annual rainfall is about 100 millimeters whereas in the western section it scarcely reaches 50 mm. at all. The climate shows extreme changes during the year. Very frequently a summer day has the temperatures of the four seasons of the year. In the morning and evening it may be as cold as winter whereas in the middle of the day it is exceedingly warm. In the summer time, because the temperature inside the basin area rises very rapidly, cold air currents from surrounding areas find their way into the basin and as a result there are during the months of April to June frequent cyclones which come mostly from the north and the west. The winds sometimes reach the velocity of a typhoon of the 8th Class. However, in most cases the wind subsides in one or two hours.

Since the rim of the basin comprises elevated land which slopes gradually into the center of the basin, the rivers and waterways which have their origin from the Kunlun Mountain and the Kilan Mountain all flow toward the center of the basin where there are formed many lakes

and ponds and vast tracts of marshy land. There is little vegetation on the marshy land and because it is frequently inundated the soil is wet and loose in structure. The unwary traveller can sink very easily into the bog. On the outside rim of the marshy land is tableland cut into long patches by the waterways. It is formed of silt from the waterways and dirt from the windstorms. On the plateau grow different varieties of plants which flourish in arid areas. They include such plants as the *Lysium Chinense* and the tamarisk. The area is an ideal site for the development of agriculture. In those parts of the tableland where there is a rich supply of water, waterplants grow in plenty. These areas will be good for pastoral purpose. Immediately adjoining the tableland is a desert area. It begins from the edge of the surrounding mountains and creeps toward the center of the basin. On the southern and northern slopes of the basin the desert area is relatively narrow but on the western slope it practically envelops the whole of the area north of the Na-Ning-Ko-La River and west of Malak. Between the tableland and the desert area sometimes are found regions where there is a rich growth of tamarisks.

Outside of the hills, lakes, desert and marshy areas Tsaidam Basin has also vast tracts of land fit for cultivation. Before 1949, in such localities as Tulan, Chahanwusu and Hsiang-Jih-Teh in the eastern part of the basin, small groups of people of Mongolian, Han and Mohammedan tribes at one time reclaimed certain parts of the land and planted grain and wheat there. They were cruelly exploited. As a result their toil netted them next to nothing and the area was allowed to remain barren once again. Agriculture fell into a low ebb. The People's Government organized the people and they began to engage anew in reclamation and agriculture. There followed a period of recovery and development in agriculture.

By far the greater portion of cultivable land in the Tsaidam Basin is located in the eastern part of the basin. The crops include rice, wheat, barley, wild oats and corn. In the past, because of the scarcity of draft animals and also the lack of fertilizers, the farmers were compelled to resort to planting crops every other year to give the soil a whole year's rest. They neglected entirely such farm measures as fertilization, hoeing between rows, and loosening the soil. Inevitably farm yield remained at a very low level. It was thus found that at times the wheat yield per mow did not exceed ten times the quantity of seeds sown. The Government encouraged the farmers to do intensive farming. There followed also the use of fertilizers while mutual aid and cooperation in agriculture steadily grew. Improvement in farm technique likewise followed. There was a substantial increase in the size of the crop.

There are several state farms in the area. They have all been doing very well. In 1954 the Telingha State Farm was known to have attained an average yield of 300 catties of grain per mow. Both last year and this year reclamation of vast tracts of barren land has been going on while preparations are underway for the introduction of mechanized farming. However, it cannot but be admitted that the area suffers considerably from the limitations placed by natural conditions, as a result of which not a few difficult problems have been encountered hindering the development of agriculture.

In the Tsaidam Basin there are also vast areas of grassland along the banks of the waterways and bordering lakes and ponds. There are particularly wide tracts of such grassland in the southeastern part and the southern part of the basin. The forages available here for pastoral purposes include reeds and grass, there being few leguminous plants which can be used as animal feed. Sheep and horses make up the major portion of the livestock while there are some camels and farm oxen. In order to evade the mosquito pests which frequent low-lying areas in the summer, the herdsmen generally drive their sheep flocks during June of each year to the hills in the south, returning to the basin in about August or September. However, after October the temperature drops sharply in the basin area and this adds to the difficulties in cattle raising. Veterinary stations were set up. Loans for cattle raising were released to the

herdsmen who were also taught to store grass as fodder for their animals. In the Golmo area it was found that the size of the cattle stock owned by the herdsmen attained an increase of around 28% during the first half year of 1954 compared with 1953.

According to preliminary estimates, the grassland in the basin covers an area of from 70,000 to 80,000 square kilometers. This should be sufficient to provide for an increase in the size of the cattle stock to seven or eight times the present number of animals raised in the area. It may thus be seen that a great future is in store for animal husbandry in the region. However, we should still not be blind to the many difficulties facing us in this connection. These may be mentioned as the following: lack of fodder grass of good quality; heavy salt composition in the soil structure thus affecting adversely the quality of the grass and of the drinking water; and susceptibility of the larger types of animals to foot diseases which come as a natural result of the salt contents in the soil composition.

Not only are there good prospects for agriculture and animal husbandry in Tsaidam Basin but also large deposits of underground resources which will help in the up-building of heavy industry. As a result of the many surveys conducted particularly the major survey in 1954, it has been established that Tsaidam Basin possesses a promising oil field, being also rich in other mineral deposits. This has stirred the hopes of people of the various races residing in Tsinghai Province. The Petroleum Prospecting Corps working in the area have discovered formations of oil structure. At the moment in addition to general surveying and prospecting work being done, oil drilling has progressed in certain areas. There are prospects that this region may eventually be turned into a new industrial base area. Outside of petroleum, some twenty kinds of mineral deposits have been discovered in the region. The principal ones are coal, iron, gold, silver, copper, lead, tin, salt and borax. There seems to be an abundance of salt deposits everywhere. The green salt produced at the Chaka Salt Field is used as table salt.

Tsaidam Basin is also known as the Mongolian, Tibetan and Kazakh Autonomous chou west of Koko Nor in Tsinghai Province. The autonomous chou has under it three autonomous hsien, these being Tulan (Mongolian), Tienchun (Tibetan) and Ah-I-Tun-Ku-Ke (Kazakh). The people are mostly engaged in animal husbandry and agriculture. The Mongolian and Tibetan tribes are adherents of Lamaism while the Kazakhs are followers of Islam. There are eight "banners" among the Mongolians. The northern four banners reside in the northern part of the basin while the southern four banners reside in the southern part of the basin. Among the Tibetans, the Wang-Shih-Tai-Hai tribes inhabit the hilly areas and the plateau on the upper stretches of the Bu-Ke River while the Jih-An Banner occupy the hilly areas east of Cha-hanwusu. The Kazakhs originally were found in the southern part of Sinkiang Province. They were persecuted there by Sheng Shih-tsai, who was then the Governor of Sinkiang Province under the Kuomintang regime. They were then forced to move to Tsinghai, where they again suffered from the persecutions of Ma Pufang, the Governor of Tsinghai Province at that time. Thus, for several decades these people had been living the life of rovers and of political refugees, battered badly by their difficult circumstances. After the Communists took over, they have received better treatment. They have now settled down in the region and have formed the autonomous chou of the Ah-I-Tun-Ku-Keh tribes, with Golmo as the center. They were given land by the Government and sheep flocks were loaned to them. This helped them to engage in animal husbandry and agriculture. It is for this reason that nowadays on the grassland to the northwest of Golmo there may be found cluster after cluster of Mongol herdsmen each owning one to two hundred head of Tibetan goats. Moreover, the people in the region have been carrying on reclamation work and farming on both banks of the Golmo River. They have already reaped two harvests of grain and wheat.

Communication in the Tsaidam Basin depends on two trunk highway lines, these being the Tsinghai-Tibet High-

# REPORT ON AGRICULTURE IN JAPAN

By S. Mikolajczyk

## Agricultural Education

The education of young farmers is based on a large network of various kinds of agricultural schools. These schools accept only those students who will inherit farms and are determined to live and work on farms, who love the land and know the soil, who can be good managers, who are eager to learn, and who will know how to apply theory to practice, and to adjust to new situations and demands of products and markets. This program is very effective in the education of the future farmers of Japan.

The participation of teachers and students in the social, economic and political life of the village is very active; the

way and the Tsinghai-Sinkiang Highway. The former leads from Sining to Lhasa and was opened to traffic in December, 1954. The latter branches out at Golmo from the Tsinghai-Tibet Highway. Proceeding westward it passes Mangyai to enter into Sinkiang Province at Su-Ku-li. At this point it becomes joint with the highway which connects Tunhwang of Tsinghai Province with Chehchiang of Sinkiang Province. Meantime the highway connecting Tunhwang with Golmo via Makhai has recently been opened to traffic while construction work will soon begin to link the highway connecting Chahanwusu and Telengha with this highway from Tunhwang. This will form a network of highways opening up different parts of the Tsaidam Basin to the outside world.

It is natural that following the progress of prospecting work in the area, cities and towns have begun to spring up in the region. At the present moment Chahanwusu in the eastern part of the basin is the political and economic center of the Haisi Mongolian, Tibetan and Kazakh Autonomous chou. Trading companies, a branch store of the New China Publishing House, a post office, the People's Bank and primary schools have already been established in the place. Every day there are many trucks and horse-drawn vehicles passing through the city.

West of Chahanwusu, the highway turns sharply southward. After a distance of 63 kilometers it reaches the town of Hsiangjehte which is inhabited by the Mongol tribe. Hsiangjehte is a town of mud-houses which are closely linked to each other. In addition to trading firms and various service stations, there may be found hostels run by people of the Han race. This shows that at present, if not indeed in the past, the town is frequented by many travelers.

Further westward, the highway reaches Golmo, the intersecting point of the Tsinghai-Tibet Highway and the Tsinghai-Sinkiang Highway. The town is located on a piece of elevated land overlooking the banks of the Golmo River. In the past it used to be part of a wilderness where such plants as the *Lysimachia Chinense* and reeds grew in abundance. The prospecting teams entering into the Tsaidam Basin have made use of this place to serve as their supply station. Soon later the Ah-I-Tun-Ku Kazakh Autonomous chou also moved its government seat to this place. Thus, numerous tents were set up on this wilderness one after another. It has now developed into the political and economic center in the middle section of the basin.

In the western part of the basin another city of tents has also risen from the wilderness. This is the city of Mengyai. It nestles on a miniature basin between the hills, located on the banks of the Kangcha Lake. Although it is but a city comprising entirely of tents, it is very impressive in appearance. Row after row of these mobile quarters stretch from east to west. Among them may be found many business firms and trading companies. After nightfall electric lights illuminate the entire city.

contacts of former students with their schools are constant and very close.

Sometimes there are certain differences among these schools: some are stressing the economics in farming; some—especially the older ones—lay more stress on the social and organizational side of education. But there are new schools which emphasize all these aspects equally and their results are very good.

It can be said that the young farmer accustomed to hard work, devoted to his land, alert, intelligent and curious, leaves the school as a good manager of intensive agricultural production, and one can be sure that he will follow the progress of knowledge and be quite able to adjust his farm to new developments and demands.

Very good work and progress is being achieved by the Departments of Agriculture at the various universities of Japan in educating future agricultural economists, scientists, professors and government and experimental-station workers.

The participation of the professors and students in the agricultural life of Japan is very noticeable and effective.

## Cooperatives in Japan

The peasant cooperative organization in Japan is highly developed. There is practically no village without one or more cooperatives. One could say that the Japanese peasant's life is supported by the cooperative movement from youth to death. Some of the cooperatives will even help the peasant to arrange a cheaper marriage dinner, and others will provide him with a funeral procession and carriage after his death. Even the village blacksmith work is done by the local cooperative. The cooperative movement is very effective and strong in every field such as credit, marketing and purchasing every kind of agricultural product, livestock, fruits and vegetables, as well as in rural industry and the processing of farm products, firewood and charcoal, reclamation of land, transportation, medical care and various kinds of other activity. It seems nevertheless that the cooperative institutions will need some bigger investments in order to modernize and meet the competition of the big storehouses and chain stores as well as modernized private enterprises. The work of the cooperatives and the capital of the cooperative banks is contributing a great deal to agricultural progress and production in Japan. The education of the youth by means of a special program led by the cooperatives is of great promise for the future of Japan. Large numbers of cooperative workers not only find their employment in the cooperatives but are also very active as leaders in the economic, social and political life of the Japanese village.

Very important and helpful in the development of Japanese agriculture is the Ministry of Agriculture and Forestry, which deals also with the fishery of Japan, together with its field officers in the country; these officers lead and work together with the large number of prefectural agricultural technicians and specialists connected again with their field officers in the experimental stations, training schools and special projects in the reforestation, irrigation and reclamation of land.

## Exchange Students

It is most encouraging to meet former students who studied and worked in the United States and several Western

European countries. They are not only the best ambassadors of progress, working always for a better standard of living for the Japanese peasants, but also the best ambassadors devoted to the ideas of freedom and democracy. These students were mostly in California. It would be advisable to send exchange students to other parts of the United States, especially to the northern states where climatic conditions and family farming are more similar to Japanese agriculture.

One can also say that the students who returned from Denmark and other West European countries have gained very much, due to the similarity between West European and Japanese agriculture. Usually these students come from the more developed and progressive farms. They have already been chosen as outstanding and best suited for future agricultural leadership. After their return, even if they do not apply what they have learned to their own farms, which are already well developed, they will apply the new methods and ideas to the whole village or district. Their work and influence spreads sometimes to whole prefectures. It is also very important that the students who are coming to the United States make every effort to learn the English language. They are very intelligent pupils and learn quickly. By knowing the language, they can be supplied with printed material which will help them keep their outstanding and leading position by enabling them to receive all news which concerns new methods in agricultural production, as well as about the social, cultural and political life of the democratic countries. The same could be said about professors and others who after their return from abroad contribute greatly to the national life and democracy and to international collaboration and understanding.

#### Roads and Transportation

Very important for the development of the agricultural and national economy are the conditions of transportation. The railroad network is highly developed in Japan and electric power is widely used in the railroad system.

But, except for a few highways, the roads are in a poor condition. They are so narrow that sometimes it is impossible for two cars to pass each other in a town or village. This is a great disadvantage for communications and transportation in the countryside, and the problem cannot be solved even by the use of the small three-wheeled trucks built by the Japanese car industry. It seems that this problem cannot be solved simply by building super-connecting highways; it will need considerable thought and investment in order to meet the growing necessity for communication, transportation of agricultural products, deliveries of industrial goods to the countryside and the development of the national economy.

#### Health, Social and Cultural Conditions

In Japan there are over 20,000 doctors and 30,000 dentists—a very high figure, near that of the Western nations, and very high in comparison with other Asiatic nations. In many villages one can find special "medical houses," organized by the cooperatives or the local village government, where there are nurses and beds for emergency cases. The patients are visited there on certain days by the doctors of nearby towns and villages.

In many villages kindergartens have also been organized where the peasant children are brought when their mothers are working in the fields during the seasons.

A great effort is being made to increase the sanitation facilities. There has been a reconstruction inside the farmers' houses, especially in the kitchens, for the sake of better lighting, water supply and the sewer system; and washing machines, the sewing of simple working clothes,

changes in the diet of the family, etc., have all been introduced.

The Japanese, even those living in the greatest poverty, are a very clean people. Bathing facilities, though often meager, exist in all houses, even in the most primitive. They regularly splash water into the public streets from their adjoining houseyards to fight the dust.

The Japanese woman due to the postwar reconstruction of political life formally enjoys full equality. But it seems that many years will still have to elapse before equality of men and women will be fully recognized in daily life. The introduced system of birth-control is available, but it appears not to be appreciated by the people.

One can still find cases of "white slavery" in which poor parents sell their daughters to houses of prostitution. Recently the High Court decided that if the girl escapes, the parents are not obliged to return the money. Maybe in this case, inasmuch as prostitution is still legally recognized, the High Court's decision will bring an earlier end to this humiliating situation.

The number of newspapers of various kinds is very large and, except for the big publishing companies controlling the press from Tokyo, there are many local newspapers printed in large volume. A special institution, the "Ie-No-Hikare" (Light of the Family), publishes monthly magazines for every variety of home use, as well as special magazines for the use of farmers and peasant youth. A great number of books, both native and foreign translations, are also published. The network of libraries is extensive, including travelling libraries visiting around most of the country, and television is also rapidly developing. The Japanese "Culture Centers," especially the "American Culture Centers," are very much visited and used. The cinemas and theatres are always crowded; they cultivate not only the plays and pictures connected with the old Japanese classical art, but also the new plays and pictures imported from other countries. The various festivals and religious ceremonies are also used for cultural purposes.

Art and music are very well-known and their knowledge is very widely distributed among even the common people. The average Japanese knows not only a great deal about his own art and music, but is very much enlightened on the art and music, even the names of artists and composers, of foreign countries. His love of music has created various singers' associations, especially among the younger generation. Recently, the Communists have been intentionally organizing singers' associations and festivals with public singing, introducing their specially composed songs for their own purposes.

Sport is very much liked by the Japanese people, and the youth is actively participating in various kinds of sports on a very wide scale.

#### Organizational Life of the Japanese Farmers

Through many organizational channels, the Japanese farmers participate extensively in public life. They participate in the elections and the work of the local village governments, electing their own governors and mayors in prefectural self-government (Assembly of the Prefecture, Prefectural Agricultural Assembly), Chamber of Agriculture, professional farmers' organizations, professional special branches of production, peasant and fishermen's organizations, co-operatives of various kinds and peasant youth organizations as well as in special short and long courses, exhibitions, special meetings, festivals and crop thanksgiving days.

Among farmers' organizations of Japan are: 1) Association of Peasants of Japan; 2) Rural Rehabilitation Association of Japan; 3) Agricultural Reconstruction League of Central Japan; 4) Farm Settlers' Mutual Aid Association; 5) Japan Farm Land Association; 6) Farmers' Federation

for Promoting Agriculture; 7) Japan Agricultural Science Association; 8) League of Talented Farmers of Japan.

Two farmers organizations of Japan (1) International Food and Agricultural Association of Japan, and 2) The Association for International Collaboration of Farmers) include the former mentioned organizations and aim at the international collaboration of peasants of Japan with other peasants of the world.

The peasant youth participates in public life through their own organizations and the agricultural training schools' organizations as well as through their fathers' organizations. The Japanese Peasant Youth organizations are: 1) Japanese 4-H Association; 2) Japanese Industrial Development Youth Association; 3) Conference of Youth Organization of Agricultural Cooperatives.

The 4-H Association has greatly developed and is still making considerable progress. It seems, however, that the 4-H Association is not as developed and widespread as it could be in comparison with the larger and wider-spread organizations of the older rural population. One of the reasons is a hostile propaganda trying to brand this organization as a foreign organization imposed on the Japanese by the occupational forces.

The explanation that the 4-H, meaning Heart-Head-Health-Hand, so beautifully represented in the vow of every member of the 4-H Club in the United States, is based on the same ideological principles which have helped build up strong, numerous and wide-spread peasant organizations in the Central European countries which contributed to much agricultural progress, as well as to popular social, cultural and democratic education of the younger generation of peasants in these countries—made a very good impression and counter-balanced the hostile propaganda by the Communists, mostly against the 4-H Association of Japan.

From the point of view of mass democratic education of the young peasant generation of Japan, all efforts to enlarge this organization and cover every village with their activities is very desirable, especially when one takes into consideration that most of the leaders who are shaping the thinking of the younger generation are very hard-working and self-sacrificing, but on the other hand the dependent officials of the agricultural administration, schools, training centers, professional organizations and cooperatives. Therefore, there is no supplementary help of substitution for mass education—economic, social and political—of the younger generation as the strong and extensive peasant youth movement.

The Japanese farmers have no national political party organization. They complain that working very hard and raising food for the nation under the most difficult circumstances does not gain them recognition for their achievement, that their needs and demands are not met and they have no means to influence the policy of the nation. In the House of Councillors (Upper House of the Parliament) they favor the Green Gentle Breeze Party (Ryokufukai) a group of 47 independent senators who until now—by the existence of two conservative parties—the Democratic and Liberal Party—and two Socialist Parties—were quite an important factor influencing the policy of the House.

After the merging of the Democrats and the Liberals into one Liberal-Democratic Party and the merging of the two Socialist parties, the situation changed. It makes it more difficult for the peasants to decide how to vote because they fear that the merged rightist parties will work more for the benefit of big business, and the Socialists will go too much to the left and become too friendly with the Communists.

The development will very much depend on the extent to which these fears are justified and in which direction

the economy and policy of the government moves. Nevertheless, there are, among the peasants and their leaders, those who think that it is necessary not only to make all effort in raising the food production, but to influence the policy of the State directly by forming their own political peasant party. In the countryside the political influence of the peasants is often successfully exercised through the election of their own governors, members of the Prefectural Assemblies and officials of the local governments. Very often, the professional and other agricultural organizations and their leaders are instrumental in such elections.

#### Outstanding Problems of Japanese Agriculture

The difficult situation of Japanese agriculture, created by overpopulation and extreme parcellation of the very scarce land in Japan cannot be solved immediately.

The land reform brought some relief. It also checked the poisonous Communist propaganda and made the work of the Japanese Communist Party very difficult and unpopular among the peasants. The land reform was solved without violence, hatred and fratricidal murders.

The former landlords living in the country contribute their knowledge and experience to the new democratic—social, economic and political—life of the village. Some of them working as governors, cooperative managers, etc., tell openly: "Your forefathers were serving my forefathers. Today, I feel that it is my duty to serve you."

However, the land reform alone cannot solve the difficult situation of Japanese agriculture.

Japan is still not a self-sufficient, food-producing country. Therefore, the first task of Japanese agriculture remains to increase the agricultural output.

The Japanese peasants are hard-working, diligent people. They are alert, intelligent, learn quickly, willingly accept new methods of production and adjust themselves to increased demands to raise the output. This attitude in itself is of great value, but not sufficient; and the peasants need help.

There is a great need for investments to improve the agricultural education, for reclamation and irrigation of land, agricultural industry, modernization of cooperatives, mechanization, electrification, road construction and increased production.

A greater number of agricultural students, professors and scientists who would go abroad to study and foreign experts who would come to Japan, are necessary to help accomplish the tasks confronting the agriculturist.

Cheaper long-term credit for the farmers is necessary. High interest on loans to peasants and lack of long-term credit is killing the progress and efforts of Japanese farmers. The lowering of the price of artificial fertilizer is also essential to the development of Japanese agriculture.

These conditions fulfilled may lead Japan to self-sufficiency in food production, provided that long-term investment credits from abroad for the Japanese economy will back up these efforts and that a considerable amount of these credits will be invested in Japanese agricultural production—livestock, agricultural industry, processing of food, reclamation and irrigation of land and electrification, transportation, modernization and rehabilitation projects.

The problem of emigration of Japanese people abroad as well as their resettlement within Japan is also pressing. The agricultural problems are closely related to the development of Japanese industry. The development of Japanese industrial production depends on the internal market, but also to a very high degree, is influenced by the situation in international trade. Foreign credit and investments as well as export possibilities are the decisive factors in the

## FIRST ALUMINUM FACTORY IN THE PHILIPPINES

The first aluminum sheet and foil factory was recently established in the Philippines. Erected on a 23,000 square meter lot on Highway 54, the gleaming building which houses the Reynolds Philippine Corporation mill and offices is good example of the unlimited usage of aluminum as a building material. Besides being adaptable to modern architectural design, the aluminum roofing and siding used in the Reynolds building insures permanence, freedom from maintenance and painting, as well as comfort due to aluminum's ability to keep interiors 15 degrees cooler.

With the installation of equipment and machinery for the production of foil and sheet completed, Reynolds Philippine Corporation takes an active role in the industrialization of the Philippines. Many industries will benefit by the mass production of aluminum. New job opportunities will be created through the expanded activities of manufacturers

development of Japan's industry and agriculture. It is necessary to raise the standard of living of the people which will bring greater home consumption.

Mr. Ichiro Kono, Minister of Agriculture and Forestry, is an outstanding, energetic and active leader. He travelled extensively in many countries in America and Europe, studying agricultural conditions. In his agricultural program he stresses Japan's aims for the future: 1. The lowering of prices of chemical fertilizers; 2. The increase in livestock production; 3. The increase of exports of tinned fish and fruit products; 4. The increase and export of raw silk; 5. The building of new irrigation and land reclamation projects; 6. The import and careful distribution of agricultural surplus from the United States so as not to harm native food producers.

The success of his program depends upon the understanding and support of his Cabinet colleagues. The acceptance of the program would substantially raise the food production, raise the standard of living of the Japanese farmers and improve the economic as well as political situation of Japan in general.

But when this world is divided between free and Communist-enslaved peoples; when there is no security and peace; when for the sake of self-defense against possible military aggression much of the free people's income and efforts must go for military investments; when international exchange of goods is not based on freedom and economic competition, but on aggressive and subversive ways of the Communist economic policy directed against the free world—the agriculture and future of Japan as in so many other free countries, depend on international situation and on the success of the free world in its drive for peace, democracy, freedom and better living for all people of the world.

One of the outstanding peasant leaders of Japan stated: "The economic situation of the Japanese peasant is difficult. So is the situation of the whole country. We are doing everything possible to improve it. It is our aim and our duty and we will continue doing so. We cherish our peasants' love for their land and their ability for hard work. We educate and teach them how to accept and utilize new scientific achievements and new methods in practical farming. But this is nearly the limit to where we can go. However, many things do not depend on us. The present problem in Japan—and in the whole of Asia—is not only economic; it is moral and political too, and we have to concentrate, internally and internationally, on all these factors simultaneously—maybe even more in the Asian countries which have the enormous majority of rural population and small parcels of land for the peasants than in other countries of the world."

engaged in the production and sale of aluminum products. The local building industry can profit from the products of the Reynolds Philippine Corporation, which turns out corrugated and flat aluminum sheet for construction purposes, aside from producing flat aluminum sheet, aluminum circles for kitchenware, candy and cigarette foil for confectioneries and cigarette factories.

The manufacture of aluminum sheet and foil at the plant is a long fabricating process. The processing of this "miracle metal" starts with the charging of "aluminum pigs" (50 pound blocks of pure aluminum) into specially designed 40,000 pound capacity oil fired melting furnaces. Some twelve to fourteen hours later, the metal having been subjected to 2000 degrees Fahrenheit heat has made the transfer from a solid state to that of a liquid. During this transition period samples are frequently withdrawn from the furnace and taken to Reynolds metallurgical laboratory for analysis testing to make sure that the consumer receives high quality. Just prior to tapping, the molten bath of aluminum is fluxed with pure chlorine gas to remove even minute traces of foreign elements that may have entered the bath during the long charging and melt down process. The metal leaves the furnace in a cascading silver stream finding its ways by gravity to a 1000 pound refractory lined crucible. When filled the crucible is lifted above floor level by a specially timed hoist that pours the molten aluminum at a constant flow rate into an 800 pound internally water cooled ingot mold. The metal immediately solidifies in the mold and is ready for its long journey through the rolling mills.

The Reynolds Philippine Corporation has nine separate rolling mill units each driven by large electric motors and each designed to do a specific job in the tedious gauge reducing process. The mills are the same as those used the world over. An electric motor drives a pair of large high hardness forged steel rolls that are enclosed in two huge castings known as mill "housings". Tremendous pressures are directly applied to the rolls by means of a screw that is in contact with the bearings that ride directly on the neck of the steel roll. Technical advances in light metal rolling have centered mainly in two spheres that of increased roll neck bearing efficiency and electrical control. Some of the mills at Reynolds plant are equipped with the Mergoil type pressure tube bearings and newly designed General Electric Company controls.

The rolling process is merely one of continuous gauge reduction. The ingot is rolled from a thickness of 8" down to two tenths of an inch on a two high "hot mill". (Metal temperature at this operation is about 900° Fahrenheit. All succeeding rolling passes after the hot mill are made while the aluminum is at room temperature and is termed "Cold Rolling". When "cold rolled" the metal will be in coil form. After continued cold working through the mills the aluminum strip becomes very hard and prior to further processing to foil gauges it must be "annealed". Annealing is merely a metal softening process. It is accomplished by placing the cold rolled coils into a large oil fired oven. The metal is required to stay in this oven for a specified time at a specified temperature usually six to eight hours at 800 to 900 degrees Fahrenheit. The high temperature causes a marked change in the grain structure of the metal, it reverts to its natural state thereby becoming malleable enough to allow further rolling to foil gauges. The aluminum foil mills are capable of rolling a continuous strip of aluminum up to 32" wide down to the microscopic thickness of two ten thousandths of an inch. At this gauge it takes 51,000 square inches of aluminum foil to weigh one single pound.

# ECONOMIC SURVEY OF INDONESIA

(Compiled by United Nations ECAFE Secretariat)

## PART I

During 1954-1955, the economy of Indonesia was still in a transitional stage. While a number of problems left by a long period of war and disruption had been settled, a steady rate of growth was not yet achieved, and the economy was not stabilized. Substantial progress was obtained in agriculture and in some sectors of industry. The situation of the budget, the balance of payments and the currency however raised pressing problems.

Both the budget and the balance of payments were in heavy deficit at the beginning of 1954. To counteract the budget deficit which generated strong inflationary pressure, various measures were taken, especially the cutting down of development expenditure in 1955 which permitted to reduce but did not eliminate the gap. To counteract the balance of payments deficit which had resulted in the depletion of foreign reserves at a dangerous rate, imports were drastically limited mainly by a system of quantitative restrictions. This policy reversed the trend as regards the trade balance and foreign exchange reserves but resulted in further pressure on domestic prices. These difficulties were reflected in the valuation of the rupiah which declined in the international market. The economic development programme, hampered by increased domestic prices and restrictions on imports of capital goods as well as by more general factors such as the insufficient availability of know-how, lagged considerably behind schedule.

The new Cabinet, sworn in on 12 August 1955, which will hold office until replaced by another cabinet of the new government drawn from the first elected parliament in the spring of 1956, has taken vigorous action to improve the economic situation. In general its policy has been to eliminate quantitative restrictions on imports which had led to increasing prices and scarcities in some sectors; to limit imports instead through control of credit and money supply; to reduce the budgetary deficit to Rp 2,500 million in 1955 and Rp 1,000 million in 1956 and control inflation; and to promote economic development by a new five-year plan on the basis of the resources immediately available.

Indonesia's first general elections took place on 29 September 1955 in three quarters of the electorates, with the remaining districts casting their ballots before 29 November. Elections to a Constituent Assembly to draft a permanent constitution were to be held in mid-December 1955. Many basic decisions with respect to economic policy have been deferred so that they may be made by a parliament with a mandate. In the meantime, however, the government committees have been preparing drafts of such fundamental laws as a foreign investment law, a mining law, and a companies act. In addition, the National Planning Bureau has been completing its five-year plan (1956-60) for the country's economic development. The completed plan was expected to be ready for submission by the end of 1955.

### PAYMENTS AND BUDGETARY DEFICIT

#### Payments deficit

From mid-1952 to mid-1954, Indonesia was losing foreign-exchange reserves at what is believed to have been a faster rate than in any other Far Eastern country. The foreign assets fell from Rp 1,780 million in December 1952 to Rp 2,020 million in December 1953 and Rp 790 million in June 1954. This reduction in the country's foreign

assets was chiefly due to the deficit in current account on the balance of payments, accounted for mainly by a deficit in invisible transactions such as investment income, transportation and insurance. Starting in May 1954, the Indonesian Government took a series of measures to protect its international reserves. While some inducement was given to exports, these efforts aimed mainly at restricting imports. In July 1954, the Government resorted temporarily to the escape clause in the Statutes of the Bank of Indonesia, permitting the bank to suspend its 20 per cent legal reserve requirements "in extraordinary circumstances". The foreign assets, which fell by Rp 1,230 million in the first half of 1954, rose by Rp 940 million in the second half, thus bringing about a net decline of only Rp 290 million for the year. In the first half of 1955, they stayed more or less at the level of Rp 1,730 million reached at the end of 1954, but declined again in July and August.

For the first half of 1955 there was a net surplus or current account of Rp 77 million—Rp 573 million less than in the second half of 1954 but a distinct improvement over the deficit of Rp 1,115 million in the first half of 1954. The major reduction in the surplus took place in the merchandise balance and was produced by a larger decline in export proceeds than in import payments.

From the point of view of its major objective—the reversal of the declining trend in Indonesia's foreign assets—the exchange control applied since May 1954 can be considered a success. Also the commodity structure of imports in general has conformed to the policy decisions. In 1954 and the first half of 1955 there was, in total value of imports, a further growth in the relative share of capital equipment and raw materials—if not in absolute figures—and a further decline in the share of imports represented by consumer goods.

In 1955, however, it became increasingly apparent that the exchange-control policy was suffering from several major disadvantages. The efforts to restrict imports relied primarily upon quantitative limitations and not upon price limitations, with the consequence that government revenues were adversely affected by the reduction in volume of imports and that profits, which such a system facilitated, went to the importers and middlemen and not to the Government, thus creating further pressure on prices; the efforts to stimulate exports which consisted mainly in linking them to the right to import in the case of commodities difficult to export, thus bypassing the official exchange rate, had not resulted in substantially increasing total exports nor in strengthening the value of the rupiah. Also, more efforts were indispensable to eliminate the inflation-generating, import-demand-creating budget deficit.

To meet these shortcomings the new Cabinet instituted a series of major reforms. The free market value of the rupiah, which had fallen to less than one-fourth of its official value by August 1955, reacted by rising to more than one-third of its official value in September. With respect to both imports and exports the changes involved a considerable simplification in procedures, and with respect to imports both a liberalization of trade and a change from reliance on quantitative restrictions to price restrictions from which it is hoped the lion's share of the "quota profits" will accrue to the government.

The new procedures were published in a joint announcement of the Monetary Board, the Minister of Economic

Affairs, and the Foreign Exchange Institute, effective 1 September 1955. The old lists A, B 1, B 2, and C were replaced by new Groups I, II, III, and IV. A process of rationalization and reassignment is under way to achieve an import composition more appropriate to production and development needs. All import surcharges valid at the date of the announcement were abolished and replaced by new surcharges—again called T.P.I.—of 50 per cent on Group I goods, 100 per cent on Group II goods, 200 per cent on Group III and 400 per cent on Group IV. This system will increase the charges to be paid by the importers. The monetary Board can announce exemptions from all surcharges for particular commodities.

The announcement further provided that: "The regulations concerning the Hongkong compensation transactions, Singapore-barter . . . parallel transactions, import of goods with "free" exchange and via the Jajasan Perbekalan dan Parsediaan are all abolished". Also abolished was the former import control office of the Ministry of Economic Affairs (Kantor Pusat Urusan Impor), and in its place was established, with a much smaller staff, the Bureau for Foreign Trade Exchange in which will eventually be centred foreign-exchange control for all mechanical transactions, both export and import. Importers, after establishing their bona fide status, may apply for foreign exchange at any of the ten banks authorized to deal in foreign exchange.

National importers must make a pre-payment of the full counter-value of foreign exchange requested, plus all surcharges, at the time application is made, not at the time it is granted as under the previous pre-payment arrangements. Foreign importers must make a minimum pre-payment of Rp 5 million before making any applications, but this can then be drawn as applications are made. To prevent this system from hampering import activities, administrative reforms have been effected to reduce the time for processing applications to about a week. While the need for rehabilitating export trade was clearly recognized, major attention was nevertheless given first to reforms of import policies and procedures on the grounds that if import regulations were not first improved, much of the benefit of exports would "go down the drain". It was decided that whatever measures were to be adopted for the encouragement of exports they would not take the form of tying exports to import privileges.

On the whole, this new policy represents an effort to re-establish, at least temporarily, contact with the "free" market forces and it has been decided to grant applications for all imports the prices and quality of which are satisfactory. The limitation of imports, which remains indispensable, is to be achieved mainly through a restriction in the money supply to be obtained by the pre-payment of import, the increased surcharges and the stricter credit policy imposed on the banks by the Central Bank. The government hoped that the higher surcharges on trade would increase government revenues without resulting in increased prices of imported goods on the internal market, as the system is designed to permit a reduction of the profits of importers and distributors of imported goods. This "indirect approach" to the problem of balance of payments is expected to be strengthened by other efforts of the government in the budgetary and fiscal fields which will contribute to limiting the money supply and controlling inflationary tendencies.

#### Budgetary deficit

The continuing government deficit has been the major source of inflationary developments in the Indonesian economy in recent years. The pressure on supplies of domestic products, the demand for increased imports and the upward tendency of prices have largely derived from this source.

The provisional results show that the 1954 deficit amounted to Rp 3,618 million as against Rp 2,240 million in 1953. Expenditure was higher in 1954 than in 1953 while revenue was lower. The 1954 government cash deficit was estimated at Rp 3,533 million as against Rp 3,047 million in 1953.

The amount of expenditures for the security sector (including "home affairs") increased in 1954 and represented nearly 63 per cent of net ordinary (as distinct from capital) budget expenditure of Rp 9,199 million. The distinction in the budget between ordinary and capital expenditures follows the conventions of Dutch budgetary practices and does not conform to the economic distinction between current expenditure and investment expenditure. A detailed study of the budgets indicates that public investments rose from Rp 2,170 million in 1953 to Rp 2,435 million in 1954.

With respect to tax receipts, the fiscal year 1954 was characterized by a sharp decline in taxes and surcharges derived from foreign trade, and an increase in direct taxes from Rp 2,027 million in 1953 to Rp 2,439 million, owing mainly to increased revenue from company (especially oil companies) taxes and transitional income taxes, and to an improvement in the efficiency of the tax-collection machinery.

The budget deficit in 1954, as in the previous year, was financed principally by loans from the Bank of Indonesia and partly by advance payments received from importers and a running down of cash balances.

While much less clear-cut than the change in import policy, there has been in 1955 a concurrent effort to improve budgetary control, in addition to a cutting down of the development outlay from Rp 2,435 million in 1954 to Rp 1,300 million. This effort could not eliminate the budget deficit itself, but seems to have reduced it. In the first half of 1955 the indicated cash deficit of the government, computed directly from movements in the Treasury Account and government cash and balances, was Rp 1,236 million as compared to Rp 1,559 million in the first half of 1954, and Rp 1,974 million in the second half of 1954. Thus, while the budget estimates for 1955 forecast a deficit of approximately the same size as in 1954 (Rp 3,498 million), the actual cash deficit for the first half of 1955 was at a considerably lower annual rate. Perhaps even more significant is the fact that since May 1955 there has been no further increase in the Bank Indonesia advances to the government.

#### MONEY SUPPLY AND PRICES

##### Money supply.

Money supply in Indonesia rose by Rp 920 million or 14 per cent in 1953, by Rp 3,840 million or 45 per cent in 1954, and by Rp 1,610 million or 14 per cent in the first half of 1955. The government's budget deficit, the most important factor, showed a continuing decline during the three half-year periods, while substantially the reverse was true of private credit creation; in the second quarter of 1955 the latter underwent a rise of Rp 427 million owing to sharp rise in prices, and stagnation in the export of some products. The improvement in foreign-exchange reserves reversed a previously restraining influence over the increase in money supply. The deflationary effect of the "miscellaneous" causes in the first half of 1955 was attributable mainly to a rise in the capital and reserves of banks, their time deposits and "margin deposits."

##### Price movements

As noted, the major factors underlying price developments in 1954 and 1955 were the continuing, although declining, government deficit and the restriction of imports.

Both factors were reflected in a continued increase of money supply, the rate of which accelerated in the second half of 1954 but slowed down in the first half of 1955. Among factors which contributed to lessen the inflationary pressure, the main ones were an increase in food production in 1954, and an increase in some sectors of industrial production in both 1954 and 1955.

There is no available cost-of-living index which would permit an evaluation of the total result of these various factors. However, there is no doubt that prices rose substantially from the second half of 1954, mainly in towns. In the countryside food-price levels declined until the middle of 1954. Since the middle of 1954, food prices have risen both in the countryside and in the towns, the inflationary pressures more than outweighing the increased supplies. The import-restriction policy since May 1954 accelerated the rise in the price of imports. The wholesale-price index for 44 imported commodities in Djakarta rose by 11 per cent in the second half of 1954, at the same rate as in the first half of the year; it rose further by 6 per cent during the first quarter of 1955.

The prices of imported goods continued to rise through August, but in September textile prices dropped by as much as 45 per cent for some grades, and most other imported goods registered more modest declines.

## PRODUCTION AND TRADE

### Agriculture

The year 1954 was a good year for food crops. In Java and Madura rice output was 9 per cent higher, and maize 60 per cent higher, than in 1953. Cassava production declined by barely 1 per cent; only potatoes showed a substantial decline of 14 per cent. In general the weather was good and with the exception of the Djambi district in East Sumatra, flood damage in 1954 proved less extensive than was originally feared.

In the Outer Islands the picture was generally the same—the output of sweet potatoes declined but the output of most other food crops increased. These production results had a favourable influence on the balance of payments. Rice imports were reduced 99,000 tons which, combined with lower prices, led to foreign-exchange savings of Rp 327 million as compared with 1953. At the same time exports of peanuts and cassava increased. Cassava export proceeds increased by Rp 41 million over 1953, those from peanut exports by Rp 12 million. Exports of soya beans were, however, almost totally stopped in an effort to increase domestic consumption to improve the nutritional content of the national diet; soybean preparations are being used experimentally in child feeding programmes.

The government continued its efforts to improve and extend irrigation, prevent erosion, and encourage the use of improved agricultural techniques. The Department of Agriculture and Forestry has reclaimed over a million hectares of land since the war, and has raised output per hectare as well. The expansion of food production, especially of rice, has been significant. By the end of 1954 the area planted with high-quality paddy reached a total of 1.7 million hectares and the area under green fertilizer was extended to a total of 55,000 hectares. The quantities of chemical fertilizer imports also rose from 101,300 tons in 1953 to 104,500 tons in 1954.

The food crop outlook for 1955 was not as favourable as in the previous year. Weather conditions were less satisfactory and floods resulting from heavy rains caused losses, especially in deforested areas. Because of a short supply of arsenic, losses caused by field mice and rats were higher. In some areas there were insufficient seedlings. Also, as rubber and tobacco prices rose on the world market, some

substitution of small-holder rubber and tobacco for food crops occurred.

During the period January-April 1955 larger areas of rice, cassava and soya beans were harvested than in the corresponding period in 1954, while the area of maize harvested was much smaller. For other crops it was about the same as in 1954. The area under cultivation at the end of April 1955 was, however, smaller for all crops with the exception of maize and soya beans, for which it was larger than at the end of April 1954. Recent estimates indicate a food crop below the record level of 1954, with the paddy crop falling off by about 5 per cent. The course of internal inflation led to a deterioration of the food producers' "terms of trade" and the apparent decline in rice production may reflect increased consumption in the countryside.

Rubber production in 1954 reached the 1952 level of about 750,000 tons. This level of output was, however, only achieved by heavy tapping of trees under the stimulus of the upturn of the world trend in rubber prices from April 1954.

In the early months of 1955, it would appear that production no longer increased and, perhaps, decreased, because of aging trees, damage by heavy rains in the last quarter of 1954, especially in South Sumatra, and destruction of young trees in East Sumatra. Estate production was 131,100 tons in the first half of 1955 as against 148,900 tons in the second half of 1954. This decline in estate production may partially reflect the selling of rubber on local markets by estates for export as small-holder rubber because of a higher inducement received for it.

Proceeds from rubber exports declined by 2 per cent in 1954 as compared to 1953, the increased prices and small-holders' exports in the latter part of the year not quite offsetting the lower prices in the first part of the year and lower estate exports for the whole year.

In the first half of 1955, although export of estate rubber was estimated to have dropped by 27 per cent in quantity as compared with the first half of 1954, export proceeds increased by 20 per cent owing to the rise of prices in the world market. Exports of small-holders' rubber rose by 5 per cent during this period as compared with the similar period in 1954 and their proceeds increased by nearly 100 per cent.

The major destination for estate rubber exports were the United States and West Germany; for small-holders' rubber, Malaya and the United Kingdom.

In an effort to expand export proceeds by increasing the degree of processing within Indonesia, and at the same time to give the small-holder producers a larger income, the export of rubber slabs from South Sumatra was prohibited. A mixed company, N.V. Karet Sumatera Selatan, was established in September 1954 to buy slabs from small-holders and sell them to the growing remilling industry around Palembang which now employs more than 4,000 workers. In the first quarter of 1955 N.V. Karet achieved a purchasing rate of 13,000 tons of slabs monthly.

While still Indonesia's fourth largest earner of foreign exchange (after rubber, petroleum and tin), copra output is increasingly being absorbed by the domestic market. Production in 1954 at 728,000 tons was slightly higher than the prewar (1934-38) average of 718,000 tons, but export during the period fell from 554,000 tons to 296,000 tons.

In the first half of 1955 the Copra Fund, until recently the sole legal purchaser of copra in Kalimantan and East Indonesia, purchased 188,000 tons, or 14,000 tons less than in the first half of 1954, and exports for all Indonesia were 108,800 tons, or 27 per cent lower than in the corresponding period of 1954. Export proceeds in the first half of

1955 dropped by Rp 128 million, or 40 per cent below the corresponding period of 1954. While exports have in general been declining, those from Sumatra which are not carried out through the Copra Fund have been increasing.

There had been some criticism of the operations of the Copra Fund and a decision was taken at a conference of interested parties, in December 1954, to decentralize its operations. In implementation of this decision, a Copra Co-operative Marketing Board for North Sulawesi (Celebes) has been established. Up to July 1955 it had bought 25,862 tons of copra.

The increase of domestic copra consumption reflects increased domestic production of end-products. Production of coconut oil has doubled since before the war, but exports of oil have almost vanished. There has been a proliferation of small soap-making factories.

Compared with 1953, tea production in 1954 increased by 24 per cent to 46,900 tons and tea exports by 40 per cent to 40,228 tons (export proceeds rose by 70 per cent to Rp 454 million). In the first half of 1955 production continued at the level achieved in the corresponding period of 1954, but exports were lower by 36 per cent in volume and 12 per cent in value. Extension of the area under cultivation, success in combating the "blister blight" that had reduced the crop in 1952 and 1953, and improved labour productivity were major factors in the increase of production.

Estate coffee production, after a good year in 1953, declined by 37 per cent to 14,196 tons in 1954, but revived in the first half of 1955. Small-holder production continued the increase that had begun in 1952 to 42,800 tons in 1954, enabling combined exports to rise from 32,223 tons in 1953 to 37,336 tons in 1954. Exports and prices both declined in 1955. In order to encourage exports, coffee exporters have since 6 June been given licences to import goods up to 10 per cent of the f.o.b. value of the coffee exported.

The Indonesian sugar industry had suffered the most severe decline of all the export crops as a result of war, occupation, and civil disturbance, falling from 1938 production of 1.4 million tons to 718,000 tons in 1954. Since 1950, however, there has been a steady expansion of output and since 1953, substantial exports have resumed. Domestic consumption at 499,000 tons in 1954 was more than double the 1938 level of 225,000 tons. Sugar production in the first eight months of 1955 totalled 612,000 tons compared with 525,000 tons in the corresponding period of 1954.

#### Mining

Crude-oil production continued to increase slowly from 10.8 million tons in 1954 to 5.8 million tons in the first half of 1955. Crude-oil imports declined to 2.1 million tons in 1954, or by 6 per cent, and continued to decline in the first half of 1955 to 619,000 tons or by more than 50 per cent compared to the corresponding period of 1954.

As in the case of copra and, to some extent, of sugar, domestic demand for petroleum products is increasing at a rate sufficient to put pressure on supplies available for export, which rose from 1938 total of 6 million tons to 7.6 million tons in 1954. It declined, however, during the first half of 1955, owing to a reduction in road traffic connected with restrictions on imports of motor vehicles and accessories. Indonesia's present production of crude oil is mostly from "old" fields—the exception is the Minas field of Caltex—which have reached the limits of their production rates and in many cases are in or approaching their declining phase. No basic mining law has been promulgated and, in expectation of such a law, no new exploration concessions have been granted. Indonesia's refining capacity already

exceeds its crude-oil producing capacity, and as domestic consumption increases, a major source of foreign exchange might decline if production were not stepped up.

In 1954 new agreements were concluded with Caltex and Stanvac covering periods of 5 and 4 years respectively. Monthly transfer of profits is tied to commitments of new investment of \$70-80 million by Stanvac and of \$60 million by Caltex.

Production and exports of tin-in-concentrates rose in 1954 by 6 per cent and 4 per cent respectively, compared with 1953, to 36,437 and 34,486 tons. Both were at a lower rate in the first half of 1955. Prices rose in the first half of 1954, fell in the second half, and rose again in the first half of 1955 after the decision was taken to continue smelting operations in Texas.

#### Industry

More adequate industrial statistics are being developed by the Central Bureau of Statistics, but are not yet available. Direct production statistics are regularly published only for the large weaving and spinning mills. The output of these mills has increased steadily since 1951.

An indirect indication of the level of industrial activity can also be obtained from statistics on the import of industrial raw materials. The trend in the volume of these imports has varied as between the individual industries. However, for most industries, with the exception of textiles, there has been an increase in raw material imports in 1955 over 1954. The fact that the supply of raw materials has often been erratic has had a disruptive impact upon the functioning of industry. It is probable that the larger concerns with better trade connections, more ample resources, and more experienced management, were able to maintain operations at a steady level and that the impact of the uncertainty and inadequacy of raw material supplies fell more heavily upon small-scale and co-operative industries. In 1954 and 1955 this was particularly true of kretek cigarette producers and batik works.

While the supply of electric power was only about 10 kWh per capita in 1954, there has been a significant increase in generating capacity of electric power from 162,609 kW in 1949 to 227,309 kW in 1954. Sixty-eight per cent of power production in 1954 (812 million kWh in 1954 or 60 million kWh above 1953) was for lighting and other domestic uses. There are also many plantations, mines and industrial enterprises which have their own generators.

According to the Central Bureau of Statistics there has been an increase in the use of power relatively to labour force, suggesting increased mechanization as local costs for labour and materials rose. The figures also seem to indicate that capacity has been rising faster than output. This appears to be especially true of weaving and knitting, for which it was estimated that output could be doubled with existing plant facilities if the flow of raw materials and supply of supervisory personnel were adequate.

Of the large-scale industries first proposed in the 1951 Economic Emergency Programme, the programme for printing plants was a success. It was originally intended to build six units, but it was found possible to extend this to seven. These plants have all been completed at a total cost of Rp 14.3 million and sold to private domestic enterprises on credit. The cement plant at Gresik, near Surabaja, is the largest single plant in this programme, absorbing \$14 million of the \$100 million Export-Import Bank of Washington credit line set up in 1950. Domestic expenditures are estimated at Rp 50 million. The project was delayed, but by the end of 1954 the contract was let to an American company for the construction of the plant and the land was

acquired. By mid-1955 work on the plant itself was well under way, and it was expected that the project would be completed early in 1957. Production was estimated to reach 200,000 tons per year. Of the original projects for seven rubber remilling plants with an annual capacity of 11,700 tons, only the remilling units at Palembang and Siak have been fully completed. The Bank Industri Negara has been entrusted with the implementation of the Tjilatjap spinning mill project on the south coast of Java. The plan called for the establishment of a 30,000-spindle factory with an initial capacity of 800 tons per annum and 2,400 tons at the stage of full operation, or about 20 per cent of Indonesia's present consumption of yarn. After some delay, the building was completed and the equipment arrived from Japan. It was hoped that the plant would be running by the end of 1955. The other major government activity in the spinning industry was to convert the previously-established private firm, "Jatra", into a "mixed" enterprise and to finance the expansion of its spinning mill in Samarang. The desiccated coconut mill at Sukur, Northern Sulawesi (Celebes), has been completed and in operation for over two years. This factory, financed by the Copra Foundation, has a capacity of 27.2 tons per day of 24 hours operation, or 8,165 tons per year of 300 days. Philippine experts assisted in the management and in the training of a technical staff.

Efforts to implement three other government industrial projects met with mixed success. A cardboard factory to be erected by the Bank Industri Negara at Banjuwangi, East Java, with the assistance of German technicians, was still in an early stage. Investment was expected to amount to Rp 10 million, of which Rp 3 million represented the counterpart of foreign-exchange expenditure. Estimated production after completion was 1,500 tons per annum. The gunny bag factory being erected by the Bank Industri Negara at Surabaja, after making slow progress, was nearing completion. The Salt and Soda Monopoly, a government enterprise, was building a caustic soda factory in Waru near Surabaja. This factory, built at a cost of about Rp 80 million, was expected to come into production before the end of 1955.

All projects proposed in the Economic Urgency Programme were originally scheduled for completion before the end of 1953. Financing does not appear to have been the major obstacle in the public sector as regards this programme. The capacity of the implementing agencies to absorb capital has been more limited than originally foreseen and the allocations in the State's budget for industrial development were not fully utilized. Only half the allocation in 1953 could be disbursed, and on the basis of preliminary results the same appears to have held true in 1954.

With respect to small industries, the Economic Urgency Programme in 1951 aimed at the establishment of induk parusahaan, or central production and processing units; extension of loans and credit; and research and training.

The induk programme was designed mainly to improve quality, to introduce better techniques and organization, to increase the degree of standardization, and to promote cooperative organization, particularly for purchase of raw materials and sale of final products.

Eight induk were in operation at the end of 1954. One wood works had been established in Klender, but was not operating satisfactorily. An iron works was organized in Tjisaat in June 1953, comprising five enterprises with ten employees each. With modern equipment imported from Germany and Sweden, this induk, which produces saws, hammers, knives, hoes and other simple tools, has been in regular production since March 1954 and has run behind delivery schedules and experienced marketing difficulties.

The ceramics induk at Plered found that improvement of quality required bringing raw materials from other parts of Indonesia at considerable cost, and experienced difficulty in competing with goods imported from abroad, which are usually preferred by the local population. Over two-thirds of its output consists of vases and ash-trays marketed at rather high prices. Among the three leather induk in operation, the one in Magelang operated at a loss in 1953, but made a profit in 1954, when marketing was turned over to one of the old-established big trading firms. The one umbrella induk is not mechanized, but serves as a purchasing and sales agency and as a centre for information on improvement of standards. Some 800 family enterprises, which provide a cash income supplement to peasant families, belong to the induk. After suffering a loss in 1953 this induk made a profit in 1954 when distribution was assigned to a large private marketing firm. Finally, there is one textile induk, with modern equipment, comprising six enterprises with a total of fifty employees, which has operated below capacity.

In order to accelerate the creation of induk and to improve their functioning, the JADO (Foundation for Administration and Organization) was established in 1955. This organization aimed at improving the financing of the induk and the marketing of their products; Rp 60 million were to be spent in the coming year.

The loan and mechanization programme, which was designed in 1952 to provide mechanical equipment to small individual enterprises with US aid, was to include 19 enterprises in West Java, 17 in Central Java, 36 in East Java and Madura, a total of 72 industrial ventures in Java, and 82 in the country as a whole. Late in 1954, machinery had been ordered for 56 of these enterprises, and was beginning to arrive in Javanese ports.

The programme of research and training for industry was to cover both small and large industry. Thus far, it has been less successful in meeting the needs of large industry, especially on the training side, than it has been for small industry, and is still on a limited scale. The institutes already set up trained a limited number of skilled workers, foremen, laboratory workers and analysts; these included the Institute of Industrial Research in Djakarta, the Chemical Research Institute and the Rubber Research Institute in Bogor, the Textile Research Institute and the Ceramics Research Institute in Bandung (still in the formative state), the Industrial Materials Research Institute (without training facilities), the Leather Research Institute, and the Research Institute for Batik Works is Djogjakarta. To provide training at a somewhat lower level of skill some 200 technical schools were maintained by the Ministry of Education; 30 vocational training centres by the Ministry of Labour; and a number of industrial institutes for higher-level training by the Industry Department of the Ministry of Economic Affairs. The United States Government has assisted in the training of instructors for those schools. Almost all government departments and most of the larger companies operate separate training schemes for their personnel. The Ministry of Education has also sponsored 212 fellowship awards of various kinds. Of those, about half came under the United Nations technical assistance programmes; others were provided under United States aid programmes and under the Colombo Plan. The expansion of training facilities, including an institute for public administration, is being planned.

At the university level, the technical and science faculties of the University of Indonesia at Bandung are well housed and equipped, with the exception of the mining engineering and electrical engineering departments.

(To be Continued)

## REPORT ON OKINAWA

The population of the Ryukyu Islands at the end of 1955 was 800,000 showing a population density of 941.5 persons per square mile. The high natural increase creates the density rate. However, despite the high population density, the number of unemployed persons as of December 1954 was only 5,900. This number represented 1.8% of the total Ryukyu Islands labor force of 320,800. Of the employed labor force, more than 50% were employed in agriculture; 167,800 persons were employed in agriculture and 147,600 persons were employed in nonagricultural pursuits. The comparatively large agricultural population and the rapid rehabilitation of agricultural production has kept the economy of the Ryukyu Islands agricultural despite the influence of the United States Forces. The production of crops has increased considerably during the period 1951 and 1954. For example: In 1951, only 12,126 metric tons of rice were domestically produced; in 1954, rice production increased to as much as 22,237 tons. Another example is that of sugar cane production. In the year 1951, sugar cane production amounted to only 64,713 metric tons. By 1955, production more than doubled to a high of 364,538 tons. But, the Ryukyu Islands are still far from being self-sufficient. In 1954, the physical imports (\$54,343,285) exceeded the exports (\$7,722,946) by as much as \$46.6 million. This deficit trade, however, is not as alarming as it appears, for it is offset by the large amount of invisible exports, namely, yen sales to the United States Forces. With this assistance from the United States Forces, the balance of payment of the Ryukyu Islands at the end of FY 55 recorded a favorable balance of a surplus of \$5.9 million.

The large and active import programs and the increased domestic production have made greater varieties and larger supplies of commodities available to the consumers. The availability of commodities has resulted in keen competition between retail outlets and subsequently contributed to the reduction of commodity prices in the markets. The average retail prices of commodities declined about 10% since the year 1953. A pair of rainboots which in 1953 sold for Y335 are now being sold for Y270; a pound of sugar which used to sell for Y20 is now being sold for Y15. The greater availability of cheaper consumer goods has raised the standard of living of the Ryukyuans. Although an average salary and wage family in Okinawa earns only Y5,398 (\$45) per month they are capable of saving more now than before the termination of the war. The Bank of the Ryukyus reported that \$1,442,748 was deposited in the commercial and individual deposits in the year 1954. In 1951, deposits amounted to only \$501,185.

Loans from banks and other financial institutions assisted the improvement of the standard of living of the Ryukyuans. In FY 55, the Ryukyus Rehabilitation Finance Fund advanced Y357,037,000 as loans to rehabilitate the economy of the Ryukyus. Of this amount Y187,743,000 was for commercial and industrial projects and Y119,909,000 for housing construction. These loans have contributed much in encouraging the local businessmen to produce. Their production records are evident in the amount they filed in their tax returns. In FY 55, native government tax receipts totaled Y1,205,577,000 as compared to Y1,172,457,000 collected in FY 54.

The Ryukyuan economy is definitely on the upswing. The only retarding factor of the economy appears to be the rapidly surging population increase.

The people of the Islands are Japanese or very closely related to the Japanese in race. They wish to be united

again with Japan but the occupation by US is necessary for strategic reasons and it protects also Japan during the period of cold war. Eventually the Islands will have to be returned to Japan and though some circles in the US might oppose it, American public opinion will support the rightful claim of the Okinawans to be reunited with Japan. At one time after the war the KMT regime in Nanking claimed that the Islands were to be handed over to China —probably as war booty. A claim also was made that some of the inhabitants were Chinese—which is entirely false. In Japan all political parties are of the opinion that Okinawa and the other islands of the Ryukyu archipelago should be returned to Japan but in consideration of the defence requirements and the alliance with the US no claims have been pressed and there prevails confidence that the US will eventually safeguard the rights of Japan not only as regards these Islands but in all other affairs as well.

## HONGKONG NOTES AND REPORTS

### HONGKONG MOVIE INDUSTRY

Praising the development of HK movie industry at the opening ceremony of the Film Festival held here from June 12th to 16th, Malayan representative reported that over 300 pictures were made in HK last year and that exports of these pictures earned for HK \$15 million in 1955. He also said, "HK does produce pictures on 'shoestring' budgets (the cost of a normal American picture will make 25 to 30 pictures in HK) but HK has fine actors and actresses, imaginative directors, and most able technicians." At an earlier press conference, Mr. Masaichi Nagata of Japan, President of the Federation of Motion Picture Producers of SE Asia which sponsored the Festival, commented that HK stars like Li Li Hwa and Lin Dai had the quality of being good stars but "there must also be good directors and producers to utilise their talents." The reaction from HK producers and directors to this statement was so unpleasant that Mr. Nagata explained that his secretary had "misinterpreted" his statement. He apologized, "I have the highest regard for the film industry and my fellow producers in HK and the deepest admiration for their operating under the most difficult circumstances."

Commenting on HK's entry in the Festival, "Surprise", a local critic opined that the performance of stars was quite worthy but they were badly handicapped by poor lighting and unimaginative photography; he added, "Having watched the camera technique in this particular film I realise that there are many other things to be learned by this and most other local cameramen and local directors." Mr. William Seiter, representative of the Motion Picture Producers' Association of America at the Festival stated that before HK could expect a world market for its films, producers here must shoot their films in colour and for a wide screen and scripts have to be pruned of superfluous songs and slow long footage sequences designed to spin out a story. He also criticised the standard of acting, producing, and technical equipment in HK but added, "When I see the standard of films produced here and the equipment it is done with, I think it is a miracle."

The aims and objects of the Federation of Motion Picture Producers in SE Asia (FPA) are to promote the motion picture industry in the countries or territories of SE Asia; to elevate the artistic standards of motion pictures; to ensure cultural dissemination and interchange through motion pictures in the area. The member countries are: Japan, Taiwan, Philippines, Indonesia, Thailand, Malaya, Hongkong and Macao. South Korea and South Vietnam have also applied for membership. Of the participating countries this year, Japan won six awards and the Philippines four. HK won an award for the best screen play by Lo Chen in "The Long Lane" produced by Asia Pictures Limited.

Mr. V. I. Shaw, Manager of Shaw and Sons Limited disclosed that his firm would build a \$2 million studio on a hill behind Clear Water Bay next year. The studio will cover 600,000 square feet and the site has been already cleared. Shaws sold its old Nanyang studio in Pak Tai Street, Ma-taukok, two years ago.

### BUILDING PROJECTS & LAND VALUE

The demolition of old Jardine House and part of the Chartered Bank building is nearing completion. The block of old premises next to the Marine Department on Connaught Road will also be pulled down and a \$6 million, 14-storey building erected on the site by Li Po Chun Estates Limited. The old Hongkong Theatre on Queen's

Road East will be replaced by a 9-storey building with a new theatre in it. On Wanchai Road, several old blocks will be demolished to make room for a \$843,000 hotel of 9 storeys with 200 bedrooms. Two 8-storey new apartments will be built on Ventris Road running between Blue Pool Road and Broadwood Road. On Caine Road, a semi-detached block of two houses costing more than \$200,000 will be erected on the site which is now occupied by two 50-year old houses. The red buildings opposite the former Ritz Garden in North Point will also be demolished and on the site, two 12-storey buildings will be constructed. The Ritz Apartments now under construction will be completed before end of this year.

In Kowloon, the Champagne Court at the corner of Kimberley and Carnarvon Road is already half completed. In the same area, construction has started on the Ocean View Court at the junction of Chatham Road and Mody Road. Shops in the Chungking Arcade were recently advised by their landlord that the site will be developed and that they were to vacate the premises within one month. Similar notices were received by occupants in the building next to the Telephone House on Nathan Road. The Star Theatre will also be demolished to make room for a bigger theatre. In Shamshui po, 7 blocks of 5-storey flats costing over \$500,000 will replace the present 14 buildings on Prince Edward Road and Portland Street. On Castle Peak Road a block of old buildings will be developed into two 6-storey flats costing about \$100,000. The biggest building project in the New Territories is the construction of \$3 million buildings for the Chung Chi College in Ma Lui Shiu. Government has built a special railway station near the College and granted 10 acres of land for the campus site.

In addition to the continuous influx of capital from SE Asia, real estate transactions were also stimulated by the new Building Ordinance which allows taller buildings. One owner went so far as to pull down the new 4-storey building and rebuild on the site a 10-storey structure. On the other hand, thousands of flats on both sides of the harbour remain vacant. Many contractors have to cut their prices to get rid of the buildings which they constructed with borrowed money. Rental also shows sign of declining during the past few months. Landlords now prefer the signing of contracts with tenants for 2 or 3 years to the collecting of key money and deposits. The new building ordinance, however, does stimulate prices of land: on Castle Peak Road, it went up to \$140 per sq ft.; on Queen's Road West, it is now \$80 per sq ft.; in the central district of Victoria, one lot was transacted at about \$550 per sq ft.; and in Hung-hom, 300,000 sq. ft. between Matauwan Road and Tukawan Road were purchased by an investment company at a total value of about \$10 million.

### PUBLIC WORKS PROJECTS

The third and final stage of the construction of the New Government Office Building will begin shortly. It involves the erection of a 12-storey block on Ice House Street. At the corner of Waterloo Road and Argyle Street in Kowloon, Government is erecting two 11-storey buildings for civil servants. Government is also building more primary schools on both sides of the harbour; one in Hongkong and two in Kowloon are now under construction. Each school will have 24 classrooms. The Public Works Department is now preparing working drawings for the new 1,275-bed Kowloon Hospital to be built at King's Park. Working drawings are also being prepared for the new City Hall, a new market at Kansu Street, a screening house at Anchor Street, alterations to Yaumati Police Station and for a

swimming pool at Victoria Park in Causeway Bay. The Western Police Station at the junction of Des Voeux Road West and Western Street is now being expanded and redeveloped. A 9-storey building (for use as rank and file quarters) is now under construction and will be completed early next year. The final stage of the project comprise the erection of an eight storeyed block containing 16 flats to accommodate families of Inspectors. The new Sha Toug dam at Sheung Shui in the New Territories was completed early this month. At San Hui, a new retail market will be built. At Kai Tak Airport, Government plans to construct a new building for the reception of very important visitors (VIPs) arriving here by air.

The section of Percival Street between Hennessy Road and Leighton Road was reconstructed, a section of Magazine Gap Road was widened and on the sea wall along the Kennedy Town Praya, safety posts were put up. In Kowloon, new roads constructed include an access road to the HK and Shanghai Bank Flats, an access road from Sham Wan to Kung Tong and the reconstruction of Tokwawan Road between Sung Wong Toi Road and Mautaukoh Road. New works in progress include the reconstruction of Caroline Hill Road from the Government Stadium to Cotton Path, Upper Glencaly and sections of May Road and Hill Road; the construction of Laichikok Road between Tong Mi Road and Boundary Street, Tai Kok Tsui Road access, King's Park extension and the widening of the Jeep track from River Jordan to Sham Wan. Excavation for the realignment of Castle Peak Road between the 5½ milestone and the 9½ milestone is continuing. The construction of a road from Silvermine Bay to Tong Fuk on Lantau Island has commenced.

#### INDUSTRIAL DEVELOPMENTS

15 leading cotton mills here have contributed \$300,000 towards the erection and equipment of a Workshop with classrooms and laboratories in the New Technical College. Forming part of the new college, the Workshop will be used exclusively for the training of students in textile technology. The need of trained young persons for supervising textile processing and for operating textile machinery is particularly urgent in view of the prospective development under consideration of new factories for bleaching, dyeing, printing and finishing of textile fabrics. The New Technical College now under construction will give courses in Building, Mechanical Engineering, Electrical Engineering, Navigation, Radar Operation, Textiles and Industrial Chemistry.

HK weaving industry now has about 7,000 electrically-powered looms and produces approximately 200 million square yards of cloth every year. Last year HK exported 165 million square yards (HK\$182.1 m.) to Indonesia, UK, East and South Africa, Philippines, Thailand, Australia, South Korea, Burma, Vietnam, etc. Piece goods of local production are classified into: sheeting, drill, canvas, poplin, striped twill, raincoat lining, gingham, sarong and kikoy. To compete in highly competitive markets overseas, Mr. J. J. Cowperthwaite, acting director of the Department of Commerce and Industry recently suggested that local weaving mills should maintain a staff of skilled technicians to advise various factories on methods of production and to train workers in modern techniques.

During the first three months this year, the number of registered and recorded factories increased by 219 to 3,145 and industrial workers by 9,371 (3,691 were women) to a total of 138,836. Since the recent relaxation of entry restrictions to China, a considerable number of industrial workers have returned to China. This resulted in an increase of about 15% to 20% in wages for unskilled daily paid workers particularly in watch strap, torch case and metalware industries. Several factories are now finding it

difficult to fulfil contracts in time and in some cases manufacturers claim that they are losing money due to the increase in wages.

The Hongkong Aircraft Engineering Company recently overhauled 6 Dakota aircraft for the Garuda Indonesian Airways and 25 French Air Force fighters from Saigon. The Company also repairs aircraft from New Zealand, Burma, Thailand, Laos and Korea.

A fishing net manufacturing works recently started production in the New Territories. Most machinery and equipment were imported from Japan. One new factory is now making enamel and frit furnaces, crucibles, refractory blocks and accessories for the ceramic industry. An American investor recently visited here to study the possibility of setting up a factory in Kowloon to manufacture corrugated plastic roofing and a low cost refrigerator for the Asian market. General Electric of U.S. is considering to establish a new factory here to make electric bulbs for torch cases and domestic lamps. One local torch bulb factory has given G.E. the necessary information on local production conditions. The new factory, if materialized, will utilize American machinery wherever possible instead of depending upon cheap local labour which limits the production capacity. There are also plans to set up glove, hurricane lantern and torch factories with American capital.

#### POWER STATIONS

The HK Electric Company is erecting a new station adjacent to the existing station at North Point. The new station will have a 30,000 K.W. steam turbine-generator set. The China Light & Power Company in Kowloon recently ordered two more steam turbine-generator sets from England. The order which is worth nearly £700,000 follows a previous contract for a similar generating set which will be delivered next year. The new sets will be delivered during 1958.

#### FERRY SERVICES

A new passenger ferry service between Kowloon City and Wanchai will commence in the near future using the Tonnochy Road pier in Hongkong. The Kowloon City pier will be completed early in July. The service between Jordan Road and Wanchai now using Tonnochy Road pier will be diverted to the new Stewart Road pier. The new Star Ferry piers on both sides of the harbour will be completed by March 1958.

#### SIGHTSEEING COACHES

The China Motor Bus Company recently imported two blue, streamlined coaches costing about \$85,000 each. Each coach accommodates 27 passengers. The roofside domes are of tinted glass and the seats are upholstered in red moquette. A radio and loudspeakers are fitted together with a microphone for the guide. The coaches are now available for hire at \$35 per hour.

#### DEVELOPMENTS IN NEW TERRITORIES

The development of Yuen Long, the largest market town in the New Territories is being held up by drainage difficulties and by the shortage of filling materials. Industrial development continues, but at a slower tempo at Tsun Wan and Kwai Chung where the lack of housing facilities for families of factory workers is keenly felt. Rising prices of land in this area, coupled with a shortage of water, has compelled factory owners to consider other areas for industrial expansion. The private afforestation scheme of the Lantao Development Company on Discovery Bay is making good progress and the company is asking Government for more land. The Governor of HK has appointed a Rural Development Committee, New Territories, for 2 years with

effect from June 1, to advise Government and other interested bodies, upon matters relating to the general development of the New Territories and in particular to agricultural development including the operation of approved schemes for agricultural loans.

#### AVIATION AND SHIPPING

Modern radar navigational aids, more powerful and accurate than existing equipment, are being installed in HK by BOAC on Waglan and Cheung Chau Island; these two installations will be under the direct control of the Director of Civil Aviation and will be available for the use of all civil aircraft fitted with the airborne measuring devices. Japanese Air Lines will extend its HK service to Bangkok on October 1, 1956. It will be a twice weekly service using DC6B aircraft.

The Knutsen Line's new cargo-passenger motorship "Kristin Bakke" recently made her first trip to Hongkong. The ship, of 10,460 deadweight tons, has a bale capacity of 462,800 cubic feet, a speed of 17 knots and air-conditioned accommodation for 122 passengers. The Norwegian motorship "Ivaran" of Ivaran Lines arrived here early this month from Manila on her maiden voyage. The 6,499-ton vessel is 490 feet long and 63 feet wide and has a bale capacity of 566,000 cubic feet exclusive of refrigerated space. She has accommodation for 12 passengers. The Nippon Yusen Kaisha Line's latest addition to their fleet, the ms "Sado Maru" came here early this month from Japan on her maiden voyage to Europe. The vessel is of 11,017 long tons deadweight and has an overall length of 511 feet, a breadth of 64 feet, a bale capacity of 602,760 cubic feet and grain capacity of 656,000 cubic feet. In addition, she has four deep tanks with a total capacity of 1,241 tons. The vessel has accommodation for 12 passengers in six double berth cabins.

Beginning 15th this month, the United States Lines are putting 8 Mariner type cargo vessels, purchased from Gov-

ernment, in service between Atlantic Coast ports of US and the Far East. The ships will call at the Hawaiian Islands, Philippine Islands, Hongkong, Japan, Korea, Formosa, Vietnam and Thailand. The 8 vessels are Pioneer Minx, Main, Mart, Mill, Moor, Mist, Muse and Myth. The ss "President Coolidge" arrived here on June 13 on her maiden voyage round the world. President Coolidge has not only the most comfortable and luxurious accommodation for passengers but also has special liquid cargo pumping equipment to permit fast handling of bulk liquid cargoes; refrigerated cargo boxes for both freeze and chill commodities, and deep tanks heated by hot wells instead of by coils of pipe inside tanks.

#### BRIDGE & TUNNEL PROPOSITIONS

The Inter-Departmental Working Party appointed by Government to study the proposed \$161 million Cross-Harbour Tunnel for HK has reached following conclusions: (1) that a tunnel would be unlikely to pay for itself in the foreseeable future; (2) that a tunnel is not of adequate economic or commercial importance to justify the guarantee of a subsidy; (3) that the effects of a tunnel on the problem of traffic and on town planning, while on the whole disadvantageous, present no particularly serious difficulties; (4) that commercial interests should be permitted to undertake its construction if they are prepared to do so and the land required can be made available; (5) that in the meantime early implementation of the original proposal to provide a second vehicular ferry service should be considered. While Government is considering the report, Harriman Realty Company last week suggested to build a \$152 million, 5-span, double-deck bridge to join HK and Kowloon. The advantages claimed for a bridge are as follows: The capital cost would be lower than that for the tunnel; maintenance cost lower; traffic carrying capacity greater and transit time shorter. There would be less risk of accidents, fire and consequential traffic hold-up and chaos. Foot and cycle traffic could also cross the bridge.

## MAINLAND CHINA FOOD PRODUCTS IN HONGKONG

By S. C. Wu

While people coming out from mainland China are unanimously complaining about food shortages and hunger inside Communist China, here in Hongkong we see quite a number of shops and stores being set up for the sole purpose of selling food products from mainland China. At the moment, there are already over thirty shops and stores in this Colony handling exclusively food products from mainland China. These shops are generally called 'native products' shops and stores. All of them seem private-owned or at least are known to be so. The average capital required for setting up a shop of this sort is about two hundred thousand HK dollars (HK\$200,000). The average volume of business a shop of this kind can get daily is about three to four thousand Hongkong dollars during slack months and, during the 'good business' months such as New Year, Mid-Autumn Festival and other traditional Chinese festivals and holidays the business volume of each shop per day may come up to ten thousand dollars. The gross profit one can get from handling retail sales of these 'native products' of mainland China is about 5 to 10 percent and, for wholesale, about 2 to 6 percent. The turnover takes about a month's time. Under present business conditions in Hongkong, this is considered by most local businessmen a 'good' business and 'good' profit. Therefore, the Communist sales-agents here have very little trouble in convincing local businessmen

that it is a profitable and wise thing to set up shops exclusively for the sale of food products from mainland China.

**Chinese foreign trade organs in Hongkong:** The China Resources Co. on 11th floor of Bank of China Building, Hongkong, is the biggest Chinese Communist foreign trade organ in this Colony which handles sales of all sorts of China products including minerals, chemicals, machinery, cotton products etc. But the Ng Fung Hong, at Wing Lock Street, Hongkong, is the Chinese Communist trade organ in Hongkong that handles all the food products from mainland China. All the above mentioned 'native products' shops get their supply of 'native products' from this Ng Fung Hong. Some of the retailers make contracts to be sole distributors for certain items of native products agreeing to a number of special conditions of sale and price.

Among the existing 'native products' shops the Yick Fung, Tai Fat, Tin Fook and Yick Lung are regarded as the four leading ones. All 'native products' shops handle both retail and wholesale, in local market as well as for re-exports to countries where no restriction has been set on the import of China products and where there are considerable numbers of Chinese nationals (enough to form markets for the sale of Chinese native food products), such as Malaya, Burma, Indonesia and other Southeast Asian countries excepting Philippines, South Korea and Taiwan.

**Sale of mainland products in Hongkong:** The sale of mainland China products in Hongkong itself was not too good in the past. Not very long ago members of some Red unions and leagues here were even instructed to buy a certain quantity (decided and fixed by authorities of those Red unions or leagues) of mainland China food products every month just to show their 'progressiveness and patriotism'. But in recent months, as a side effect of a feature of the so-called 'United Front Campaign' of the Chinese Communists, the sale of mainland China food products in Hongkong has been boosted up considerably.

The Chinese Communists began to relax their control over the entry of Chinese people from Hongkong and Macau, or in fact, to encourage and lure the Chinese people in Hongkong and Macau to go back to mainland China since the 'Russian Exhibition' was held in Canton. The entry control has been relaxed to such an extent that many people have found it not too troublesome to take a trip back to their long parted native homes and to pay an overdue visit to their relatives and home-folks there. And, to top the attraction, the Chinese Communist authorities even announced that people going back to the mainland were allowed to bring with them mainland China products back into China free of duty. This announcement serves two purposes; firstly, to attract people to go in and, secondly, to help boost up the sale of mainland Chiha products in Hongkong market. In recent months, thousands of people—though mostly the uneducated mass, particularly amahs (women servants)—have gone back to mainland China fully loaded with 'native food products' exported first to Hongkong by the Chinese Communists. The number of amahs having gone back to mainland China is so big that it has caused quite an acute shortage of women servants in this colony in recent days. And wages for them have consequently been increased considerably.

**Food situation in mainland China:** According to those coming back from their trips to mainland China, there are food shortages and poverty among all the people in China excepting only some Red officials. Those who were rich in the days before the Communist rule have become poor now, and those who were poor before have become even worse instead of any better. Every trade or enterprise has become state/private joint-owned, and under the bi-management of state and private individuals. All food products produced in the rural villages are collected by the Red authorities and transported to the cities where they would be redistributed. Food ration allowed to people in cities is much larger than that allowed to people living in villages. Take Canton for example; generally, a person is allowed to buy about twenty catties of rice and about four taels of very poor grade peanut oil (it is not peanut oil at all but just a mixture of cotton seed oil and vegetable oil) per month; 20 catties of rice a month is quite sufficient for a man who has meat in his diet but far from sufficient for a farmer who lives on rice alone, four taels of oil is even farther from being sufficient for any one for a month. Fish is not too difficult to obtain from the free market but very few people can afford them. Meat is so scarce that even if one were able to afford it one would have to wait for weeks or even months before one would get an opportunity to line up for the purchase of a few taels (Chinese ounces) of meat—and, only frozen meat, no fresh meat.

**Aims of the Communists:** It is apparent to anyone who is not entirely ignorant of Communist practice in the past that it has been the Communist policy to reduce the consumption of food products by the people in mainland China and thus make more food products available for export. It is easy for every one to see that by collecting the food products at prices fixed by the Communist authorities in China and then have them sold in foreign lands for foreign

exchange at comparatively very low prices, the Chinese Communists have not only succeeded in getting foreign exchange but also increased prestige by giving the people outside the Bamboo Curtain the impression that China under the Reds has become much richer than the China of the old days. Even most of the Chinese people (particularly the less-educated ones) in Hongkong are ignorant of the true situation and think that the Communists have made China a richer and stronger nation.

However, the real purpose of the Communist relaxation over the entry control and their effort in luring the Chinese overseas back to mainland China for a home visit is much more than getting foreign exchange or showing off the richness of the New China under the Communist administration. True, by allowing the Chinese people in Hongkong and Macau to take a trip back home, it means allowing people to bring in foreign exchange. And, to allow people to bring back to the mainland from Hongkong the food products exported to Hongkong by the Chinese Communists, helps boost up the sale of these Communists exported food products in the Hongkong market. But the Chinese Communists aim at much greater result than just these few obvious ones. To see into the matter and to understand the real significance of this recent campaign of the Communists, we should first recall the talk between the Chinese Communist Wang Ping Nan and the American Johnson. The Chinese Communists had repeatedly demanded that the U.S. Government should turn over to the Chinese Communist Government a complete name-list of all the Chinese nationals now residing in the United States. Now, it is for more or less the same purpose that the Communists have been doing so much to lure the Chinese in Hongkong and Macau to take a trip back to the mainland. It is to find out who (among all the people in the mainland) have relatives abroad. And, who (among the Chinese living abroad) have relatives left in mainland China. It has been a well known practice of the Chinese Communists to extract foreign exchange from oversea Chinese (not necessary rich ones) who have relatives left in mainland China. It has been a known fact to many people that in Communist China, anybody who has any relative in foreign lands and known to the Communist authorities is bound to be deprived of all means to earn his living. It does not mean that these people would not have a chance to work. They still have to contribute their share of labour, in various forms, to the construction of the 'People's China' but they are not to live on the 'people', they must live on whatever money their relatives abroad can manage to send them. This has been one of the reasons why many Chinese in Hongkong who have relatives or home folks left behind in mainland China avoid even writing to their folks.

In short, the recent 'campaign' launched by the Chinese Reds in luring Chinese people outside of the Bamboo Curtain to go back to mainland China and in allowing mainland China products to be re-imported into mainland China duty free was designed by the Chinese Communists for most probably the following purposes:

1. To obtain more foreign exchange by having people going to the mainland from foreign lands with foreign money to spend inside the Bamboo Curtain.
2. To obtain more foreign exchange by having better sale of China mainland food products in Hongkong market.
3. To put the oversea Chinese off guard by giving them an impression that the Chinese Communist Government is now allowing more freedom to the people.
4. To impress oversea Chinese as well as foreigners that China has now become much richer than it was before by increasing the volume of food export.
5. To find out who (among the oversea Chinese) have relatives left behind in mainland China, and then gain control over these people as well as extract money from them by laying pressure on their relatives.
6. To

# FINANCE & COMMERCE

## RICe PRODUCTION AND TRADE IN 1955

**Production:** After expanding for three years, world rice production suffered a setback in 1954/55. About 7 million tons less of paddy—or 5½ percent—were harvested in 1954/55 than in the preceding year. Nevertheless, this is still the second largest rice crop ever known, surpassed only by that of 1953/54. Insufficient rainfall in some rice-growing areas of Asia, and excessive and unseasonable rains in others, were the main causes of this reduction. It was largely the fall in some yields, and much less a decline in acreages, which was responsible for the fall in world production. The unfavorable growing conditions occurred mainly in Asia, which reaped in 1954 about 7½ million tons of paddy less than in 1953. In North America and certain areas of Africa, the weather was highly favorable for rice, and record crops were harvested.

The fall in production was mainly concentrated in four Asian countries. The fall was however fairly evenly divided between the group of exporters and that of importers. The leading exporters reaped in 1954/55 about 3 million tons (7½ percent) less than in 1953, but there were wide divergencies within this group. The largest absolute fall, caused by drought, occurred in Thailand, which had, in the previous year, recorded the highest percentage rise in production. The sharpest percentage fall in 1954/55 was suffered by Cambodia, where production was almost halved by very adverse weather conditions. Pakistan's rice crops were unfavorably affected by floods, and the out-turn fell by over 1 million tons. Less rice was also harvested by Italy. A striking contrast was afforded by Egypt, which expanded its area under rice by 44 percent and its production by 70 percent. The acreage also expanded in the United States, where a record crop was harvested for the fourth year in succession.

**International Trade:** Leading rice importers experienced in 1954/55 a decline in their home production of about 3 million tons of paddy or 5 percent. This fall is entirely due to events in India which owing to unfavorable weather and heavy floods in the North and Northeast reaped, in 1954/55, 5 million tons less paddy than in 1953/54. The world's present heaviest importer, Japan, harvested a crop which, though still below average, exceeded by 900,000 tons of husked rice (equals 1,100,000 tons of paddy) or 10 percent, the very poor results of 1953. A marked increase was also recorded by Indonesia.

Since the amount grown in countries normally importing rice fell in 1954/55 by about 3 million tons of paddy, a substantial rise in imports might have been looked for in 1955, limited only by the extent of the exportable supplies available. The actual movement in international trade, however, did not fulfil any such expectations. India harvested about 3½ million tons less of milled rice, yet net imports will probably show a fall of 400,000 tons. To some extent, this gap will be narrowed by the increase in India's production of other cereals, including millets. The exceptional nature of India's rice imports in 1954 and 1955 was that they were in fulfilment of a single transaction with Burma, aimed at achieving a financial settlement as well as at constituting a food reserve, and went largely into reserve

find out who (among the people in Communist China) have relatives abroad, and then to extract money as well as to gain foreign exchange from these people by forcing them to write their relatives abroad for money. 7. To lure those who are not too stubbornly set against the Communists to go back for a 'look', and then detain them once they are inside the Bamboo Curtain.

supplies rather than current consumption. Indonesia and Philippines which were at times large rice importers appeared to be close to self sufficiency. However, imports into these countries were maintained in 1955 at a higher level than was anticipated. A considerable increase in imports took place in Malaya, Singapore and Hongkong.

A notable recovery in imports took place in Europe due to the resumption of rice purchases by eastern Europe and the revival of the use of rice for animal feeding and industry in western and northern Europe. These additional supplies all come from outside Europe while surpluses accumulated in the exporting countries of southern Europe. The rice intended for livestock or industry must be cheap enough to compete with coarse grains and, to a lesser extent, with the products of certain tubers like cassava. This kind of rice was supplied mainly by Burma out of stocks of former crops, and by Thailand in the shape of broken rice and rice flour. Cambodia and Vietnam, which in prewar days were the main shippers to Europe of rice for such uses, did not resume these shipments to any appreciable extent.

For the third year in succession, the world total of rice shipments was determined by the decisions of importers rather than by the quantities potentially available for export from exporters. The crops of 1954/55, though smaller than in the preceding year, plus the stocks carried over from previous years, again enabled exporting countries, as a whole, to ship substantially more than importers were willing to take. However, Southeast Asia which in 1953 and 1954 left with very substantial parts of their crops unsold had much smaller stocks in 1955 while the United States and Italy increased their carry-overs to a marked degree.

Last year there was a marked recovery in Thai shipments which in the first two-thirds of 1955 were 44 percent higher than in the corresponding period of 1954. Burmese shipments were also kept at a higher rate than in the preceding year, though the increase was not so marked as in the case of Thailand. Supplies available in Burma permitted exports on a larger scale, and steps were taken to improve handling at ports to facilitate exports; the difficulty was to find satisfactory markets.

On the other hand exports from Indochina were far below those of 1954. Cambodia, normally an important exporter, owing to the exceptionally poor nature of her 1954/55 crop, had to import rice. Laos too suffered from a very poor harvest and had to import some rice. Political difficulties, together with exceptionally unfavorable weather conditions, limited exports from South Vietnam. Pakistan exported about 100,000 tons of rice in the first half of last year. Taiwan increased its shipments considerably following an agreement with Japan. For the first time since prewar days India, during 1954 and 1955, exported some rice. The total during 1954 and up to the end of July 1955 reached 75,000 tons, but this was far less than the quantity of rice imported during the same period.

While the Far Eastern countries were, on the whole, expanding their rice shipments during 1955, the final figures for the year will probably show that U.S. and Italy continued to reduce theirs. In these countries, the stocks available permitted larger exports but the level of internal prices constitutes an obstacle. When world rice prices fell below the equivalent of the U.S. support level, large quantities of rice not absorbed by the domestic market, or through export sales, found their way into government ownership. The United States Government however, in order not to disrupt world markets unduly, did not offer for export sale rice from government stocks at prices lower than the equivalent of support prices paid to farmers. Sales from govern-

ment stocks for export during the first half of 1955 were largely confined to sales of small brokens for animal feeding and industrial use, and such sales amounted to only 24,000 tons.

The recovery in Egypt's exports started towards the end of 1954, after the outstandingly good harvest of that year. Exports during the first seven months of 1955 doubled Egypt's total shipments in 1954. Brazil exported no rice during 1954, but last year about 200,000 tons were offered for export. China, the world's largest producer and consumer of rice, was formerly one of the main importers and recently one of the larger exporters, and in 1955 was both importing and exporting rice. The exports were probably larger than the imports, perhaps even twice as large.

**Prices:** World prices declined gradually during 1955, and there was some fall in retail prices. On the other hand, internal prices to farmers in some countries were maintained and sometimes even increased, owing to special factors such as government support schemes or local shortages. The decline in world prices was more marked on the f.o.b. basis than on c.i.f. terms, since ocean freights increased during the year. The "commercial" price for Burma Small Mills Specials with 42 percent brokens f.o.b. Rangoon fell from about £50 per ton of 2,240 lb. at the beginning of 1955 to £42 in October 1955, while that of Thai White Rice 5 percent brokens f.o.b. Bangkok fell during the same period from about US\$170 to \$148. On government-to-government deals prices were reduced even on long-term contracts where the basis previously negotiated was revised. Thus Burma cut its price to Ceylon from £48 to £42 for the quantity shipped in 1955.

The movement in farm prices may be roughly divided into four categories: (1) countries in which the government determines the price and where no change took place over a number of years, e.g. Burma; (2) those in which there was a slight increase in the government price to the producer, e.g. Egypt; (3) those where prices were affected by poor harvests in 1954, as for example in Cambodia and Thailand; (4) those where government support action prevented a fall in prices. Thus in Italy, where accumulating supplies were tending to depress the market, the Government stepped in and bought and set aside 200,000 tons of paddy, whereupon prices rose in the first months of the year. In the United States, the prices received by the rice farmers were maintained by the support system. In the case of the 1954/55 crop, the Government was forced to take over nearly 24 million hundredweight of paddy (1,090,000 tons), as the world market price was falling well below the support rate. In December 1954, the Government imposed acreage controls reducing plantings by 24 percent, and farmers agreed through a national referendum to accept marketing quotas for the 1955 crop. Under the new system of flexible price support, the support for the 1955 crop was set at 85 percent of parity reflecting a base price to farmers of \$4.66 per 100 lb. of paddy, as against the 1954 support rate of \$4.92 adjusted for various differentials at the 90 percent parity level. The average monthly price actually received by United States farmers during the crop year 1 August 1954 to 31 July 1955 fluctuated between \$4.04 (\$89 per metric ton) and \$4.63 (\$102); it was 5 per cent higher at the end of this period than at the beginning, but fell sharply in August when the 1955 crop began to move into harvest.

The price of broken rice in certain important areas moved differently from that of whole rice, since the supplies of broken rice were reduced either because milling was restricted by a markedly smaller crop, e.g. in Cambodia and Thailand, or because the exports of whole milled rice fell as in Italy. The price of U.S. rice bran which had been kept high during the winter of 1954/55 by the rise of other animal feeding stuffs, started to fall sharply early in 1955 and was in September about 30 per cent below the prices prevailing six months earlier. Retail prices of rice also fell in a number of countries.

**Outlook for 1956:** The movement of retail prices has, of course, a special significance regarding the outlook for

the future. In a number of countries, e.g. Ceylon, Hongkong, India and Vietnam, the per caput consumption is increasing. This increase is due not only to the consumers being charged a lower price, but also to a rise in their purchasing power. Consumption is also increasing in Europe, partly because Eastern European governments are making supplies available through imports, for the first time for many years. Some of the increase in Europe is also due to the greater use of rice for animal feeding and industry. The year 1956 started with a considerable carry-over which furnished exportable supplies in addition to the crops to be harvested during the year. This carry-over was no greater than a year before, but its distribution was very different, since exportable stocks were reduced in Asia and increasing elsewhere. Thailand and Cambodia had almost no carry-over at the end of 1955, while stocks in Burma were smaller than at the end of 1954. On the other hand U.S. carried forward a far larger quantity than a year ago. Such heavy stocks provided quite a new feature for U.S. as far as rice is concerned; they were almost entirely in government hands. Stocks in importing countries were somewhat higher than a year ago. In India the Government had a reserve stock of about 1.3 million tons of rice, and there were also stocks held by the private trade. Other countries like Ceylon and, probably, Japan increased their reserve stocks, while Hongkong, Malaya, Singapore, North Borneo and Sarawak maintained a reserve stock sufficient to cover four months' consumption.

As regards production for 1956, a notable feature is the reduction in the United States acreage. The fall in production is expected to be somewhat less than that in acreage (about 17 percent against 24 percent), since yields have risen again. A further reduction in the United States acreage in 1956 would be necessary. However, the very high investment in land and machinery which had been occasioned by the expansion of U.S. rice production during the time of the world shortage, made reduction in acreage a costly process which bore heavily on the farmers concerned. In some instances, a 25 percent reduction in production was equivalent to a fall in farmers' income of between 38 percent and 43 percent, and this without allowing for any fall in prices, whereas in fact the U.S. support prices had been reduced for the 1955 crop.

In India, the largest rice producer after China, great efforts are being made to increase yields through various methods, while care has been taken that an incentive to farmers is preserved through the institution of a support price for rice of the 1955/56 crop. The level of support prices is however being kept to the minimum and equals about \$62 per ton, which is lower than the support price for wheat. The Italian crop is anticipated to be equal to that of 1954, and Italian supplies will be amplified by the unusually large carry-over of about 240,000 tons of paddy, of which the major part is in the Government's hands. The Thai crop is very promising. Japan anticipates harvesting a record crop which would enable it technically to do without imports. The Japanese Government is nevertheless considering to maintain rice imports in order to allow increased consumption and to build up a reserve stock.

It must be borne in mind that the demand for rice is considerably affected by the relative attractiveness of other foodstuffs. Ample supplies of these are being offered in the world markets. Wheat stocks remain large and those of coarse grains are increasing in North America. Wheat prices have so far remained steady in international trade, but exceptional transactions have also taken place on conditions particularly favorable to importers. Coarse grain prices rose during the winter of 1954/55, but have since fallen, in some cases below the levels of 1954. This consideration of the competitive position of other foodstuffs strengthens the need to pay attention to measures to increase rice consumption. A number of countries are trying to increase rice consumption by propaganda, both public and private, but the paramount consideration will certainly be that of incomes and of relative prices.

## HONGKONG EXCHANGE MARKETS

(June 18-23, 1956)

U.S.\$

June	T.T. High	T.T. Low	Notes High	Notes Low
18	\$583 1/4	588	585 1/4	585
19	588 1/4	588	585 1/4	585 1/4
20	588 1/2	588 1/2	585 1/2	585 1/2
21	589 1/8	588 1/2	586	585 1/2
22	589 1/4	589 1/4	586 1/4	586 1/4
23	589 1/4	589 1/2	586 1/4	586 1/4

D.D. rates: High 588 Low 586 1/4.

Trading totals: T.T. US\$2,280,000; Notes cash \$455,000, forward \$910,000; D.D. \$360,000. The market improved slightly on easier New York cross rates and heavy buying by exchange operators. In the T.T. sector, demand was strong. In the Notes market, shippers made heavy purchases. Interest favoured sellers and aggregated HK\$2.89 per US\$1,000. Positions taken averaged US\$1 1/4 million per day. In the D.D. sector, business was quiet.

**Far Eastern Exchange:** Highest and lowest rates per foreign currency unit in HK\$: Philippines 1.86—1.84, Japan 0.0149—0.0147, Malaya 1.876, Vietnam 0.06711—0.0666, Thailand 0.2732. Sales: Pesos 320,000, Yen 110 million, Malayan \$295,000, Piastre 10 million, Baht 6 1/2 million.

**Agreed Merchant Rates (T.T.):** Selling and buying rates per foreign currency unit in HK\$: England 16.202—16.100, Australia 13.016—12.757, New Zealand 16.202—15.867, United States 5.797—5.714, Canada 5.861—5.776, India 1.2158—1.2048, Pakistan 1.2176—1.2039, Ceylon 1.2195—1.2075, Burma 1.2158—1.2048, Malaya 1.8935—1.8757. Selling rates per foreign currency unit in HK\$: South

Africa 16.236, Switzerland 1.3256, Belgium 0.1168, West Germany 1.389.

**Chinese Exchange:** People's Bank Yuan notes remained at HK\$1.60 per Yuan. Taiwan Dollar notes at HK\$ 165—162 per thousand, and remittances at 151—149.

**Bank Notes:** Highest and lowest rates per foreign currency unit in HK\$: England 15.73—15.72, Australia 12.50, New Zealand 14.30—14.27, Egypt 15.20, South Africa 15.72, India 1.1875—1.18625, Pakistan 0.83, Ceylon 0.86, Burma 0.51, Malaya 1.834, Canada 5.935—5.92, Cuba 4.50, Philippines 1.8875—1.865, Switzerland 1.35, West Germany 1.35, Italy 0.0091, Belgium 0.105, Sweden 1.00, Norway 0.70, Denmark 0.77, Netherlands 1.43, France 0.0148—0.01465, Vietnam 0.071—0.0695, Laos 0.074—0.073, Cambodia 0.0715—0.0705, Indonesia 0.174—0.173, Sandakan 1.50, Thailand 0.265, Macau 0.995—0.99, Japan 0.0149—0.0148.

### GOLD MARKET

June	High .945	Low .945	Macau .99
18	\$255 1/4	255	Low 265 1/4
19	255 1/4	255 1/4	
20	255 1/4	255 1/4	
21	255 1/4	255 1/4	
22	255 1/4	255 1/4	
23	255 1/4	255 1/4	266 1/4 High

The opening and closing prices were 255 1/4/255 1/4; the highest and lowest 256 1/4/255. The market was quiet but steady. Interest favoured sellers and aggregated 77 HK cents per 10 taels of .945 fine. Tradings averaged 8,450 taels per day and amounted to a weekly total of 50,700 taels, of which 22,380 taels were actual deliveries (4,180 taels listed and 18,200 taels arranged). Positions taken averaged 15,800 taels per day. Imports were all from Macau and amounted to 14,500 taels. There was no arrival in Macau but one shipment of 40,000 fine ounces was expected. Exports totalled 17,500 taels (8,500 to Singapore, 6,000 to Indonesia, 1,500 to Rangoon, 1,500 to Vietnam). Differences paid for

local and Macau .99 fine were HK\$ 12.20—12.00 and 11.60 respectively per tael of .945 fine. Cross rates were US\$37.90—37.89; 16,000 fine ounces were contracted at 37.90 C.I.F. Macau. US double eagle old and new coins quoted at \$262 and 227 respectively per coin, and Mexican gold coins at 274 per coin.

**Silver Market:** 500 taels of bar silver were traded at \$6.10 per tael, 600 \$ coins at \$3.90 per coin, and 20 cent coins remained at HK\$3.00 per 5 coins.

## HONGKONG SHARE MARKET

(June 18-22, 1956)

Business was active throughout the week and with the exception of a few shares, prices registered attractive gains. The rising market was further stimulated by speculative transactions particularly in Utilities; profit taking towards weekend eased shares from the peak level for the week but closing rates were still better than those for the previous week. Banks, Union Ins. and Star Ferries improved steadily in spite of buyers' effort to force prices down but Docks and Providents declined slightly. Shares which retained gains as well as keen demand included: Wheelocks with 36,800 shares transacted; Lands with 3,850 shares; Hotels, 14,500 shares; and Allied Invests, 38,800 shares. Yau-matis, Cements and Dairy Farms also enjoyed gains and unceasing demand but profit taking depressed prices towards weekend. After it was learned that a private company had submitted to Government a proposal for the building of a \$152 million bridge to link up HK and Kowloon, some oversensitive investors liquidated Yau-matis forcing quotations from 114 to 111 on Friday. Amal. Rubbers followed the fluctuation of raw rubber in Singapore and gained 2 1/2 cents on the week. The turnover for the week totalled \$6.84 million.

Shares	June 15	Highest	Lowest	Closing	Ups & Downs
HK Bank .....	1680	1685 s	1680	1690	+\$10
Union Ins. ....	967.50 b	975	967.50 b	975	+\$7.50
Wheelock .....	9.25	9.35	9.25	9.30	+5¢
HK Wharf .....	94	95.50 s	94 b	94.50	+50¢
HK Dock .....	43.50	43.50	41.75	42	-\$1.50
Provident .....	14.70	14.60	14.50	14.50	-20¢
Land .....	64.50	65.50	64	65.50	+\$1
Hotel .....	14.20	14.40	14.20 b	14.40	+20¢
Trams .....	23.50	24.20	23.80	24	+50¢
Star Ferry .....	135 b	140	136 b	140 b	+\$5
Yau-mati .....	111 s	114	110	111	steady
Light (o) .....	23.60	24.80	23.80	24.60	+\$1
Light (n) .....	20.90	22	21 b	21.70	+80¢
Electric .....	31.75	33	32	32.75	+\$1
Telephone .....	24.20	25	24.40	24.90	+70¢
Cement .....	35.75	36.25	35.75	35.75	steady
Dairy Farm .....	16.70	16.90	16.70	16.70	steady
Watson .....	12.30	12.30	11.70	11.80	-50¢
Allied Invest. ....	5.30 s	5.95	5.30	5.80	+50¢
HK & FE Invest. ..	11.20 b	11.40	11.10 b	11.40	+20¢
Amal. Rubber .....	1.475	1.55	1.475	1.50	+2 1/2¢

**Monday:** Demand for Utilities remained strong; prices strengthened further. Interest was fairly well spread and prices firmer. The turnover amounted to approximately \$1.27 million. **Tuesday:** The market ruled steady with rates well maintained in all sections and a few issues making fresh advances. Rubbers were firmer in sympathy with the rise in the price of the commodity. The turnover amounted to approximately \$1.14 million. **Wednesday:** The market was fairly active during the half day session with a steady undertone. Allied Investors were firm and closed with unsatisfied buyers at \$5.60. China Lights and Telephones moved fractionally higher. The turnover amounted to approximately \$1 million. **Thursday:** The market was buoyant with prices advancing on a wide front. China Lights and Telephones were in good demand and Electrics tacked on fresh gains on good dividend news. Allied Investors were again a bright spot and advanced to \$5.95 but receded fractionally in the afternoon. Light scale profit taking late in the afternoon caused some issues to close below the top levels of the day, but the undertone still appeared very steady. The turnover for the day amounted approximately to \$2.07 million. **Friday:** In spite of profit-taking, prices sustained only a slight setback in a day of fair trading with the turnover amounting to approximately \$1,360,000. The undertone remained steady.

#### DIVIDEND

The Hongkong Electric Co., Ltd. declared a dividend of \$1.10 on the 3,500,000 "old" shares for the period ending 30th June 1956 payable on and after 14th July. Provided there is no serious fluctuation in the price of fuel, it is anticipated that the final dividend for 1956 will be 90 cents per share on 5 million \$10 shares ranking equally for dividend from 1st July 1956.

#### SINGAPORE SHARE MARKET

(June 9-15, 1956)

The week started on a cautious note with operators inclined to wait and see but at the close there was ample evidence of a change of sentiment. Singapore Industrials generally rallied and in a number of cases prices advanced. Friday's metal price rise of \$6½ a picul created an active Tin share market whilst rubbers had a much better turnover and again were marked up. The total volume of business written showed a considerable improvement.

In the Industrial section the outstanding feature of the week was the substantial rise in Gammons. Persistent enquiry blossomed into large demand and with few sellers at the earlier

levels the result was a rapid rise from \$1.75 to \$2.02. During the week Industrial selling orders, which had been difficult to complete were absorbed, and at present levels, it would seem that where stock is obtainable it is only available in very limited quantities. Fraser & Neave Ords. moved from \$1.70 to \$1.75, Hammers from \$2.47½ to buyers at \$2.50 and Singapore Cold Storage from \$1.40 to \$1.42½. Metal Box had a big turnover mostly at \$1.57½ and a large parcel of Eastern United Assurance changed hands at \$33.00. Wearnes were steady at \$2.82½ cum the usual 5% interim, Straits Steamship were taken from \$11.60 to \$11.87½ and Straits Traders moved within narrow limits with business mostly at \$23½. All offerings of Wm. Jacks at \$2.70 were absorbed and Robinsons changed hands in quantity at or around \$2.75 cum the one for one issue. Hongkong Banks on the H.K. Register were taken at \$895 and \$900 and on the London register at £93½ and £94½ including stamp.

Rahman Hydraulic were taken at 78 cents, Rantau at \$1.40 and Hong Fatt at \$1.12 cum the 7½% dividend. Talam Mines had business from \$1.74 to \$1.77½ but Petaling disappointed in not topping \$3.50.

As in the previous week the chief attractions were amongst the Malayan registered sterling companies. Lower Perak which reached 18½ c.c.r. cum the 2/- dividend went from 16/6 to 17/- c.c.r. ex dividend, Kuala Lumpur were taken up to 31/- cum 5/6 and Rawang Tinfields cum 1/6 had business at 9/7½ before sellers withdrew.

Laruts were taken in quantity at 7½, Kampong Lanjut moved up to 38/- with buyers over and Austral Amalgamated recovered to 17/-.

Southern Kinta had exchanges at 14/6 and Siamese Tin were taken from London at 10/11½ including stamp.

Favourite rubber counters had buyers and at the close bids had advanced. Amalgamated Malay had business from \$1.40 to \$1.45, Batu Lintang from \$1.35 to \$1.40, Ayer Panas from 90 cents to \$1 and Allenby from 82½ to 90 cents. Tapah moved up to \$2. Kluang Rubber went from 90 to 97½ cents and Benta from 85 to 90 cents. Chota Rubber had exchanges at 2/9 and Scottish Malayan at 2/11 ex dividend but cum the 1/- capital return.

Local Loans had limited turnover within quotations.

#### HONGKONG AND FAR EASTERN TRADE REPORTS

**Freight Rates:** Far Eastern Freight Conference Lines increased freight rates from HK tariff area by about 15% (with variations and exceptions in the case of a few commodities) because of the continued rise of operating and building costs since the last increase in 1951. The new rates will only apply to cargo loaded by vessels commencing loading at the port concerned after midnight on August 31, 1956. For cargo on Bills of Lading with transhipment the increased rates will apply to Through Bills of Lading dated September 1, 1956 onwards. Members of the Conference are: American President Lines, Ben Line, Maritime des Chargeurs Reunis, Messageries Maritimes, China Mutual Steam Navigation Co., Ellerman Line, Glen Line, Hamburg-Amerika Line, Holland East Asia Line, Lloyd Triestino, Nippon Yusen Kaisha, Norddeutscher Lloyd, Ocean Steamship, Osaka Shosen Kai-sha, East Asiatic, Peninsular & Oriental, Swedish East Asia, and Wilhelmsen.

**China Trade:** China bought from Poland 41 million roubles worth of machinery and equipment including 373 diesel generators for drilling rigs, 500 caterpillar tractors, 80 wheeltypes tractors, 170 sets of drilling rigs, 65 lathes of various types and 89 bulldozers which can also be used as caterpillar cranes. One pro-Communist newspaper in HK is still carrying ads of Chinese cement but shipments to the local market have stopped during the past two weeks; reports from Pe-

king indicate that work on some of the construction projects in China has been delayed by the shortage of cement. Over 3,000 tons of Chinese staples and light industrial products reached here last week including 1,100 tons of groundnut kernel, oilseeds and beans for Japan; a shipment of preserved vegetable and chinaware for Burma; and a consignment of fishing nets, fountain pens and cotton textiles for Indonesia.

**Taiwan Trade:** Taipei is encouraging farmers in Taiwan to breed more hogs in order to export more to HK; 2,000 heads of live hogs will be shipped here before end of this month. From here, Taiwan bought canned food, metals, pharmaceuticals and industrial chemicals but interest was centred on a few items and buying offers were very low.

**Japan Trade:** Tokyo announced that Japan would negotiate a new trade agreement with China in August and that an exchange of permanent trade missions between the two countries would be arranged. The new agreement would cover £43 million worth of goods each way. Under the 1955/56 China-Japan agreement just expired, Japan fulfilled only 30% of the agreed export amount between May 1955 and February 1956 against China's exports of 78% during the same period; Japanese exports amounted to £9 million and Chinese exports £23.4 million. The agreement (expired at the end of May) is at present being extended au-

tomatically pending the conclusion of a new one which will be the fourth of its kind to be signed between China and Japan. To the local market, Japan sent over 3,000 tons of cement, 4,000 tons of coal and large quantities of textiles, toys, sea food and sundries. 700 tons of cement were transhipped to Indonesia. From here, Japan bought 500 tons of scrap iron, 300 tons of scrap brass, about 1,000 tons of beans and large quantities of rattan and bristles.

**Korea Trade:** To encourage exports, Seoul allows private firms to use US dollars earned from exports for duty-free imports; however, all exports of staples must be carried by Korean vessels beginning next month. Seoul also revised import tariff to curtail imports of luxuries and items which can be produced domestically. Meanwhile, Korea sent here more enquiries than orders for paper, industrial chemicals, and other supplies. Factors which curtail HK exports to Korea include: (1) HK exports worth several million dollars shipped to Pusan on D/P terms are still awaiting delivery there; (2) quotations for paper and metals advanced recently in the local market as a result of marked-up cost; and (3) increased HK-Pusan freight rates. Dealers here are optimistic because Seoul has earmarked US\$10 million from ICA funds for imports during July and tenders have been invited for the supply of linseed oil, paint, lead, lumber, roofing felt, cement, glass, insulation materials, sanitary fixtures, etc.

**Indonesia Trade:** Djakarta reported that China was enquiring for substantial quantities of tin and crude oil from Indonesia in addition to about 110,000 tons of rubber (Indonesia has lifted the ban on rubber but not on tin and crude oil). China offered to pay for these purchases in sterling. As from June 15, Djakarta requires that imports of metals, structural materials, cement, cotton piecegoods, paper, underwear and sundries must be handled by Indonesian nationals. In spite of this restriction and other new regulations governing imports and exports there, shipments from here to Indonesia remained active consisting mainly of textiles, underwears and other HK manufactured goods. Japan is still regulating exports to Indonesia to the volume of her imports in return; this necessitates the purchase of certain quantities of Japanese goods from HK.

**Thailand Trade:** To protect her domestic industry, Bangkok is restricting imports of rubber and canvas shoes and rubber slippers. Quantitative control over imports of nylon tooth brush, tumblers, enamelware and knitwear is also being considered. This development plus the increasing volume of Thailand's direct trade with Japan and China would eventually restrict HK exports to the level of imports from

Thailand. Shipments from here to Thailand slowed down last week and consequently some shipping companies did not increase their freight charges as they had intended to.

**Singapore and Malaya:** Ex-chief minister David Marshall stated that Peking had cabled him that China would welcome a trade delegation from Singapore. Peking also informed leading Malayan traders that China did not intend to buy any rubber from Malaya at the present; however, if cheap offers were made later in the year they might buy some Malayan rubber by cutting down purchases from other countries; payments could not be made for any shipments until they were landed in China. Towards end of last week one firm in HK enquired from Singapore for 3,000 tons of rubber for China. From the local market Singapore bought paint, dried chilli, chinaware, sugar, textiles, towel, and fruits. HK imported from Singapore firewood, charcoal, soya bean, canned beef, used tyres and scrap iron.

**Vietnam, Cambodia and Laos:** HK's trade with these states was confined mostly to barter transactions. Orders, financed by aid funds, for sugar went to Taiwan and purchases of wheat flour were made from US.

**Burma Trade:** Rangoon ordered from UK £940,000 worth of cotton textiles which will be paid for in US raw cotton. From HK, Burma purchased towel, nylon and cotton textiles, old newspaper, canned food, hurricane lantern, torch and wheat flour. Authorities in Rangoon are organizing State-private joint enterprises which will handle imports of essential commodities. Only merchants of Burmese nationality will be allowed to participate in these organizations.

**The Philippines:** Exports to the Philippines remained slow. To the local market Manila sent substantial quantities of groundnut kernel oil seeds and other staples.

**Ceylon Trade:** Colombo announced that China last week liquidated in sterling her debt of 45 million rupees to Ceylon under the rice-rubber pact. Cargo movements between HK and Ceylon remained slow due to the increasing volume of direct trade between China and Ceylon. Exports to Ceylon were limited to HK manufactured knitwear, shirt, plastic goods and enamelware.

**Other Countries:** Imports of paper from Europe slowed down but substantial quantities of European metals, photo supplies, foodstuffs and sundries reached here last week. Exports to Europe consisted mostly of China produce such as tea, feathers, bamboo sticks, cassia lignea, citronella oil; and HK manufactured umbrella, nylon gloves, preserved ginger, cotton cloth, torch, ivory carvings, etc. Scrap gunny bags may now be shipped to

USA if covered by comprehensive certificates of origin. Exports to USA last week included water chestnuts, frozen fish, gloves, torch and cotton waste. To HK, USA sent black plate, textiles, electric appliances, nylon stockings, fountain pens, shirts, air conditioning units, and fruits. Australia shipped here some wheat flour, dairy products and frozen meat. North Borneo bought from here about 700 tons of cement, mild steel bars and other building materials; sent here in return, about 1,000 tons of lumber and coconut.

**China Produce:** Supply of various staples from Thailand, the Philippines and China arrived in large quantities but demand from Europe, Japan and SE Asia was limited to a few items only. Demand from Japan for sesame remained strong but buying offers were low; price was further affected by heavy arrival from Vietnam, Thailand and China. Groundnut kernel was depressed by fresh supplies from China, Thailand and the Philippines; export of this item slowed down while local demand failed to improve. Groundnut oil continued to ease; selling pressure developed after the arrival of more supply from Africa and Thailand while overseas demand declined. Citronella oil improved from \$4.80 to \$6.40 per

pound in the local market in spite of the fact that cost was further marked down; stock here was low particularly after France and Australia had made purchases from here last week. Silk wadding was so popular with SE Asia that local dealers booked 1,000 kilos more from Shanghai and Canton. Anticipating orders from Europe, Japan and India, dealers here also booked raw silk from China. Garlic retained very strong demand from Vietnam, Cambodia, Singapore, Malaya and Ceylon; heavy imports from China and Taiwan were completely absorbed. Fresh eggs were still in short supply. Bristles were favoured by Japan; 20 cases of Chungking white rislings were transacted at 20/- per lb. c & f Japan. Beans registered only limited demand after more supply reached here; green peas attracted orders from Singapore, India and local factories but selling pressure depressed the market; soya bean failed to improve on orders from Singapore and Malaya because news from Washington indicated that Japan had been negotiating the purchase of 20,000 tons from China at US\$141.50 per ton; red bean was favoured by Canada and Singapore but only a very small quantity was involved in these transactions. On the whole, prices were steady. Recent development indicates that demand from SE Asia is gradually declining; that Europe's interest in the local market is uncertain; and that Japan turns to HK only after she fails to procure supplies from China because of payment difficulty or other reasons.

**Paper:** Indents for European paper show no sign of further advance but dealers here are anticipating increase in freight charges which will indirectly increase the cost. Supply of American paper remained short and prices were advancing. Even Japanese and Chinese products were marked up. Confronted with such a firm market low buying offers from Korea failed to interest dealers here. Korea wanted to buy 400 tons of newsprint in reels but no transaction was concluded towards weekend. Trading was very slow last week with Korea buying woodfree printing, transparent cellulose paper and cigarette paper; Vietnam purchasing newsprint and woodfree printing; Thailand procuring newsprint in reams; and local retailers and factories fa-

vouring art printing, m.g. cap, transparent cellulose paper and duplex board.

**Metals:** Increased indent quotations and freight charges discouraged dealers from booking more supply from Japan, Europe and America. HK products were also marked up because of the increased cost of raw materials. With the exception of scrap iron which retained strong demand from Japan in spite of the advanced price, trading in other items slowed down because buyers found prices too high while dealers considered local market quotations below cost of new supplies. One exporter was negotiating to send 500 tons of mild steel plate to China but the transaction was handicapped by low buying offers from Canton. China also enquired for mild steel round bars from the local market; it is interesting to note that this item was shipped here by China only recently to compete with HK and Japanese products.

**Industrial Chemicals and Pharmaceuticals:** Trading failed to improve because there were more enquiries than orders from Taiwan, Korea, and SE Asia. Prices, however, remained steady.

**Cotton Yarn & Piece Goods:** Trading was sluggish. HK yarns were affected by low prices for Pakistan yarns which further declined under heavy stock, marked-down indents, and selling pressure. Indian products attracted no buyers while Japanese yarns were depressed by the liquidation of stock by weavers because demand for cloth failed to improve. Japanese grey sheeting and white shirting were kept firm by small orders from Vietnam while Chinese cloth declined further due to the lack of demand from SE Asia.

**Chinese Silk Piecegoods:** Dealers here booked large quantities of silk piecegoods from Shanghai to meet the increasing demand from local garment factories and orders from India, Europe, Middle East and Singapore.

**Rice:** Over 30,000 bags of rice of all grades reached here from Thailand last week. China also sent here substantial quantities. As a result, prices were weak in the local market.

**Wheat Flour:** New supplies arrived last week from Canada and Australia. Local demand remained slow and exports failed to improve because SE Asia is buying this item direct from US; quotations were therefore weak.

**Sugar:** Speculative transactions were put out by more supplies from Taiwan and less demand from overseas. Prices on the whole were steady with supply and demand factors well balanced during the week.

**Cement:** Japanese cement firmed in spite of the arrival of over 3,000 tons during the week. Dealers here believe that Chinese cement will not flood the local market in the near future because Peking recently indicated that China needed more cement for her construction projects. Green Island products retained steady demand from local contractors particularly in government building projects.

**Hongkong Products:** Rattan furniture is enjoying increasing demand not only from USA but also from Europe and Australia. As a result, rattan chair, sofa and other items which for centuries have been considered by local residents as cheap furniture, are no longer cheap. On the other hand, due to the influence of buyers in USA and Europe, local products have been much improved during recent years both in quality and in design. Local glove factories recently received several large orders from Canada, Australia, UK and USA for woollen and nylon gloves. Some factories are working 24 hours round the clock. Due to the increased cost of woollen yarn from UK and Japan, several factories recently increased their quotations. Demand from India, Australia, Africa and USA for torch light cases remains very strong but the competition among local factories is so vigorous that the margin of profit is now very narrow. One manufacturer recently committed suicide because he had miscalculated his cost and suffered a very heavy financial loss. Enamelware and aluminiumware manufacturers are now struggling with increased cost of raw material and curtailed shipments to SE Asia. Meanwhile, more factories are being established here; even US manufacturers are considering to invest in local industries.



